© Entire contents copyright 1989 by Crain Communications Inc. All rights reserved.

PENSIONS & May 15, 1989

InvestmentAge

The newspaper of corporate and institutional investing $4 per issue · $110 a year

Fund eyes S&L opportunities

By Steve Hemmerick

LOS ANGELES — Four consultants, a pension fund and an investor group are quietly investigating whether pension assets can be put into financially troubled savings and loans that could be turned around quickly.

The pension fund is the $9 billion Los Angeles County Employees' Retirement Association. The investor group is headed by former Treasury Secretary William E. Simon, who already has bought some savings and loans with Preston Martin, a former member of the Federal Reserve Board.

The expectation by investors is that the Bush administration would be so grateful for the assistance of the deep pockets of pension funds in the savings and loan crisis that it would be ready to make relatively low-risk, sweet deals. Industry analysts estimate as many as half of the nation's 3,000 savings and loans could be liquidated or absorbed during the next decade at a cost to the federal government and taxpayers of between $50 billion and $100 billion.

In January, officials for the Los Angeles County pension fund indicated an interest in savings and loans, but it wasn't known until now that those officials have been actively investigating such an investment.

Pension funds generally don't seek out new investment opportunities; investment managers most often bring the idea to pension fund officials with ready-made investment vehicles.

But the county fund officials began their own investigation after learning of government assistance and guarantees offered for investments made in savings and loans by some wealthy individuals, such as investor Robert Bass and Revlon Corp. Chairman Ronald Perelman, and large corporations, including Ford Motor Co., Dearborn, Mich.

Consultants hired by either the pension fund or the Simon group have been centering their investigations on the risks and rewards of investing in savings and loans and finding a proper investment vehicle.

According to sources, Los Angeles County officials hired Pension Consulting Alliance, Glendale, Calif., to do a special report on whether savings and loan investments could be a sound investment for a pension fund.

Sources said the report, done with the help of the consulting and accounting firm Kenneth Leventhal & Co., Los Angeles, which has expertise in dealing with troubled savings and loans, approved the concept.

Officials with PCA and Charles Conrad, administrator for the Los Angeles County retirement system, wouldn't comment on the report.

Mr. Conrad, describing the whole subject matter as "sensitive," said his fund was approaching the matter very carefully and that the matter is still in the exploratory

Continued on page 33

ESOPs face new hurdles

By Andrew Reinbach

Leveraged employee stock ownership plans are threatened from several points just as ESOP deal volume reaches record highs.

- The House Ways and Means Committee is opening three days of hearings on leveraged buy-outs May 16 that could result in legislation restricting ESOPs as well as buy-outs.
- An April 4 Securities and Exchange Commission ruling combines with the Internal Revenue Service's general policy to penalize ESOPs.
- A pending lawsuit could, if decided according to established Department of Labor guidelines, greatly strengthen the role of ESOP trustees as independent fiduciaries.

Because many ESOPs are used as anti-takeover measures, what happens to leveraged buy-outs affects ESOP formation. For example, recent Federal Reserve Board guidelines that discourage leveraged buy-outs have raised leveraged buy-out debt costs to as much as 14.5%. Investors, meanwhile, are avoiding buy-outs because they see them as expensive, risky and insufficiently rewarding. If fewer leveraged buy-outs are attempted because of the Fed's actions and cooling investor interest, fewer companies will need to form ESOPs as part of a takeover defense strategy.

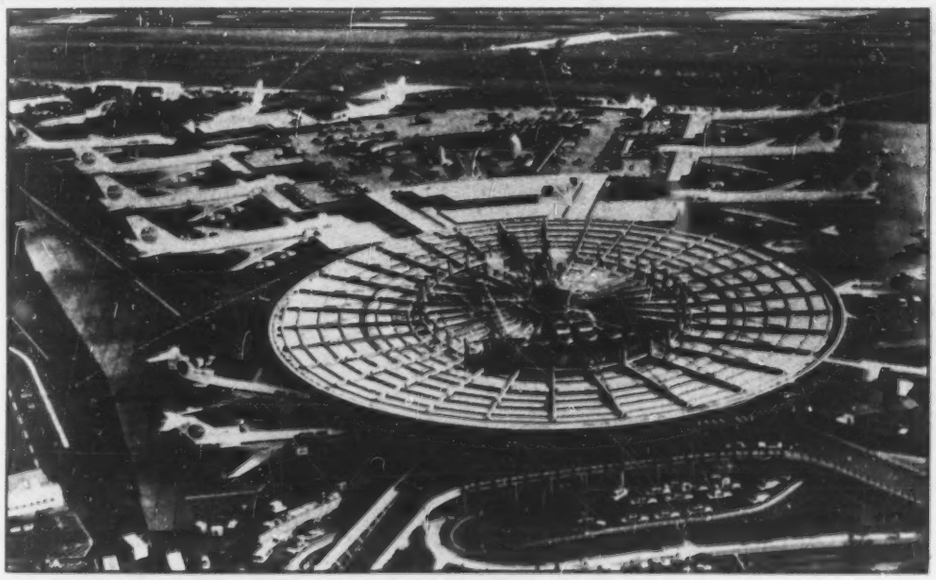
As a defense against hostile takeovers and to simultaneously boost employee productivity and cut future pension liabilities, ESOPs have captured the imagination of public corporations.

Corey Rosen, executive director of The National Center for Employee Ownership, Oakland, Calif., reported a record $5.5 billion has been borrowed for leveraged ESOPs in the first quarter of 1989.

Paul J. Mazzilli, principal at Morgan Stanley & Co. Inc., New York, said the firm is getting about one new ESOP assignment per week in 1989 vs. two in all of 1988. The firm has almost $2.5 billion in announced and unannounced deals in hand.

Despite the surge in ESOP volume, further growth is threatened by the restrictive activities of several federal agencies. "All these things taken together should make companies think twice," said Mr. Rosen. "You might see

Continued on page 32



Pan Am's proposal to contribute its leasehold at the John F. Kennedy International Airport to the company's pension fund could get a boost from a merger with NWA.

Merger in the skies?

Deal may help Pan Am's pension funding

By Joel Chernoff

A merger between Pan Am Corp. and NWA Inc. would create a combined firm with $2.3 billion in retirement plan assets, but probably would leave the respective pension funds separate.

The powerful influence of labor unions over collectively bargained plans at New York-based Pan Am — the parent of Pan American World Airways Inc. — and St. Paul, Minn.-based NWA — the parent of Northwest Airlines Inc. — likely would keep the assets from being commingled, observers said.

On the other hand, a merger might bolster Pan Am's bid to transfer its John F. Kennedy International Airport passenger terminal to its severely underfunded pension fund.

A combined company presumably would be stronger than financially ailing Pan

Continued on page 34

INS

For… In pursuit
Unce… keeps… oth are in the hunt lics - 25

Land prices affect stocks
Instability in the value of property could hurt Japanese shares - 21

World's Top 300 ranked
A first-ever survey reviews policies of the top pension funds - 3

BETHESDA MD 20814
4520 EAST-WEST HWY SU 800
STATISTICAL REFERENCE INDEX
04052669Z 01P1008910 COMP
XLZ
*******5-DIGIT 20814

LATE NEWS

Exxon creates review committee

NEW YORK — The $35 billion New York City Retirement Systems and other institutional investors claimed victory last week when Exxon Corp. announced it would recommend the creation of a public committee of the board of directors.

The committee would be empowered to review and report to the board on the corporation's policies, programs and practices on public issues of significance, including those concerning the environment and worker safety and health. Exxon management also will recommend the appointment to the board of a non-employee environmental expert.

The fund, dissatisfied with the company's handling of the oil spill in Alaska, had threatened to vote its 6 million shares against the current board of directors at the company's annual meeting.

N.Y.C. proposes assumption hike

NEW YORK — Trying to close a $1 billion budget gap, New York City proposed increasing the assumed rate of return for its pension funds to 8.25% from 8%, saving the city $137.5 million in pension contributions this year.

If approved, the move — which needs the approval of the state Legislature — will trim New York City's pension contribution next year to $1.72 billion, said Len Zinnanti, assistant director of the city's Office of Management and Budget. The change in the assumption will be amortized over 10 years.

Beverly Hamilton, third deputy comptroller, who oversees the New York City system, called the hike "pretty modest."

Continental Can loses in lawsuit

NEWARK, N.J. — A federal judge has ruled Continental Can Co. Inc., Norwalk, Conn., and affiliated companies violated ERISA by conducting a secret campaign to limit pension liabilities.

The ruling came in a class action suit filed in U.S. District Court in Newark on behalf of more than 2,400 employees of various Continental plans. The suit alleged the company embarked on a campaign since 1975 to lay off workers shortly before they qualified for pensions and to ensure laid-off workers were not called back to work.

Robert Plotkin, an attorney for the plaintiffs, said damages could exceed $500 million and constitute the largest ERISA award ever. A Continental spokesman said officials hadn't decided whether to appeal because they hadn't reviewed the decision.

Partnership seeks troubled thrifts

NEW YORK — Salomon Inc. has joined a limited partnership to acquire and operate troubled financial services companies, primarily insolvent thrifts, that will be acquired through government restructuring of the industry.

Blackstone Financial Management L.P., an affiliate of the Blackstone Group, and Old Stone Corp., a Providence, R.I., savings and loan holding company, are the other limited partners. The partnership could acquire as much as $20 billion worth of assets. A Salomon affiliate will be the lead investor in the fund, which hopes to raise $300 million to $600 million.

Shareholders favor Texaco's pill

NEW YORK — In one of the most closely watched votes of the 1989 season, Texaco Inc. shareholders endorsed the oil company's controversial stockholder rights plan, enacted in April to ward off predators.

Texaco's poison pill has an unusual qualified offer feature, which causes the plan to be inactive when an acquisition of shares is proposed through a bona fide, fully financed all-cash offer and meets certain other conditions. A proposal calling for the adoption of confidential voting was defeated.

Funds hire investment managers

• DENVER — The $600 million Fire & Police Pension Association of Colorado hired McMahan Real Estate Advisors Inc., San Francisco, for direct real estate investments, according to Johnnie C. Rogers, executive director for the association.

During the next 12 months, McMahan could invest as much as $20 million for the retirement system, and it will take over management of $30 million in direct real estate investments the association already owns. McMahan is replacing Mellon Real Estate Investment Management Corp., New York. The association will retain its $10 million allocation to a Mellon limited partnership.

• HARTFORD, Conn. — The $387 million Hartford Employees' Retirement System has picked Stein Roe & Farnham, Chicago, to run $10 million in fixed income, to be funded from cash reserves.

DEPARTMENTS

Cash management	29	Opinion	8
Classified	32	Pension Surplus Index	32
Datebook	30	P&I Age indexes	31
Financing	27	PIPER	11
International	17	Portfolio management	21
Letters	8	PROPERTY	25
Market beat	20	Valuation index	34
Money movers	30	Washington	23

Vol. 17, No. 10 — Pensions & Investment Age (ISSN 0273-5466) is published biweekly with a special edition in May, at 740 Rush St., Chicago, Ill. 60611. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Digging for nuggets

Realty firms, investors pan S&Ls for property

By Andrew Reinbach

The problems of the savings and loan industry promise to be a gold mine for real estate firms working as asset managers for the Federal Savings and Loan Insurance Corp. and possibly for institutional investors hunting for bargains.

Real estate assets totaling almost $7 billion are in disposition programs with asset managers under contract with the FSLIC, and more than $200 billion in additional assets (including loans and real estate) are expected to be up for grabs under the Resolution Trust Corp., part of the Bush administration's savings and loan bailout plan.

Real estate firms have seized on the prospect of billions of dollars of real estate loans and properties needing disposition services as a means of propping up income or creating new divisions.

The FSLIC pays 50 basis points of value as a management fee. In addition, a firm receives a sliding disposition fee based on the amount of time an asset remains under management: 150 basis points if the holding is liquidated within 18 months; 125 basis points between 18 and 36 months; and 100 basis points thereafter.

For example, Eastdil Realty Inc., New York, which manages 52 assets valued at more than $194.8 million, earns more than $970,000 in annual management fees, plus disposition fees, according to *Pensions & Investment Age*'s calculations.

Other firms involved in the program include Prentiss Properties Ltd. Inc., Dallas; Grubb & Ellis Inc., San Francisco; Landmark Land Co., Carmel, Calif.; and Palmieri Corp., Washington. Some have been in the program since 1985; others, only since January.

Some of the properties are institutional quality, among them a 250,000-square-foot bank building in Houston's Galleria area and a 200,000-square-foot office building in the Denver Tech Center.

Other FSLIC deals require work-out approaches instead of foreclosures.

Prentiss Properties, for instance, has been working with an 800-acre resort development on Puget Sound in Blaine, Wash., whose loan was in arrears following problems with construction of a hotel. "The deal was set up with large interest reserves, but rising rates ate them up," said Doug Kearl, a Prentiss vice president. "The hotel problems took two years to correct, but by (1987), the S&L (that had made the loan) was in trouble."

Foreclosure would have meant a $12 million economic loss to the FSLIC, said Mr. Kearl, but the Prentiss plan, adopted May 3, calls for the FSLIC to carry the property for three years, after which "the government can be paid off at par, or they can sell the loan." Mr. Kearl estimates the government will lose $3 million, at worst, in terms of net present value.

Continued on page 31

Strategy shift eliminates post

By Fred Williams

DALLAS — Maxus Energy Corp. is placing almost all of its approximately $100 million in pension assets in a duration-matched bond portfolio, prompting the retirement of John Ring, who managed most of the assets internally.

The remainder — about $8 million — will be managed by Cambridge Capital Corp., New York, in a risk arbitrage portfolio.

The portfolio currently is 40% in stocks, 33% in bonds and 27% cash.

Mr. Ring will retire later this summer after 14 years in the financial department of Maxus and its predecessor company, Diamond Shamrock Corp.

Diamond Shamrock was restructured into two companies — Maxus and Diamond Shamrock R&M — in 1987, following an unsuccessful takeover attempt on Diamond Shamrock led by T. Boone Pickens Jr.

As a result of the restructuring, the number of employees has dropped to 1,100 from 13,000 in 1986; annual revenue has fallen to $600 million from $5 billion in 1986; and defined benefit assets have declined to about $100 million from $206 million in 1986.

Maxus Energy's John Ring will retire later this summer after 14 years with the company.

(The pension assets were reduced to the current level following the restructuring in 1987, with the termination of five defined benefit plans and $80 million used to purchase annuity contracts for plan participants from Aetna Life and Casualty Co. and a net outflow of assets through lump sum benefit payments, Mr. Ring said.)

"This has been in the mill for some time now," said Mr. Ring. "The downsizing of the company . . . dictated a good portion of the decision: Can we continue to afford the luxury of in-house investment management operation now that we are no longer dealing with $250 million in assets?

"I could put these assets in a duration matched portfolio, and a passive approach doesn't require a great deal of management. Then there is (Financial Accounting Standards Board statement) 87. With a duration matched portfolio you reduce the risk of any potential underfunding appearing as a liability on the balance sheet," he said.

The duration-matched bond portfolio will be set up through "one of the major bond houses" following an asset/liabilty study under way by William M. Mercer Meidinger Hansen Asset Planning Inc., Dallas, Mr. Ring said.

Continued on page 31

Lockhart picked for PBGC job

By Joel Chernoff

WASHINGTON — James Bicknell Lockhart III, the treasurer of Alexander and Alexander Services, New York, has been selected as the new executive director of the Pension Benefit Guaranty Corp., sources confirmed last week.

Meanwhile, PBGC Executive Director Kathleen Utgoff and her deputy, Royal Dellinger, announced their resignations, effective July 31. Both officials are expected to return to the private sector.

Sources confirmed Secretary of Labor Elizabeth H. Dole had picked Mr. Lockhart, who will come to the top PBGC post with a strong background in finance. Mr. Lockhart did not return phone calls.

A supporter of President Bush in last year's campaign, Mr. Lockhart has served as treasurer of Alexander and Alexander, the insurance brokerage firm, since 1983. Previously, he served in a variety of financial posts at Gulf Oil Corp., including stints at its London and Belgian subsidiaries. His last post at Gulf was as assistant treasurer in the oil company's Pittsburgh office from 1982 to 1983.

The runner-up for the top PBGC slot was believed to be Kenneth Keene, a retired member of the board of directors and former senior executive of Johnson & Higgins, the New York-based insurance brokerage and benefits consulting firm.

Sources expect the Bush administration to announce Mr. Lockhart's appointment within the next few weeks.

In her four-year tenure as the PBGC's executive director, Ms. Utgoff is credited with stabilizing the financially troubled agency. Under her leadership, the PBGC won major legislation in Congress while taking a very tough stance in litigation to prevent employers from dumping their unfunded pension liabilities on the agency.

"I have accomplished the objectives I set forth," leaving the agency in "reasonably positive financial shape," Ms. Utgoff said in an interview.

She developed a reputation as a tough and clever adversary, effectively using her position to warn against troubles facing the private-plan insurance system.

Ms. Utgoff "gets an A+ for protecting the PBGC," said Mark Ugoretz, executive director of the ERISA Industry Committee, Washington.

Despite industry concerns that she would stay in the job for only a year or two, in the wake of previous top-level turnover, Ms. Utgoff became the PBGC's longest-serving executive director.

She had sought appointment to the top pension post at the De-

Continued on page 31

The tops on earth: The P&I Age/InterSec World 300 (U.S. $ mils.)

1	Local Gov't Employees	Japan	113,200	18	PGGM	Netherlands	16,600	35	BellSouth	U.S.	10,505
2	Algemeen Burgerlijk	Netherlands	71,700	19	E.I. du Pont de Nemours	U.S.	16,489	36	British Railways	U.K.	10,500
3	TIAA-CREF	U.S.	67,141	20	Wisconsin	U.S.	16,419	37	University of California	U.S.	10,123
4	California Employees	U.S.	45,940	21	Ohio Employees	U.S.	16,408	38	Minnesota State	U.S.	9,706
5	Nat'l Gov't Employees	Japan	38,900	22	British Telecom	U.K.	16,400	39	British Gas	U.K.	9,700
6	New York State & Local	U.S.	37,918	23	Michigan State	U.S.	15,798	40	Pacific Telesis	U.S.	9,639
7	General Motors	U.S.	37,600	24	Ohio Teachers	U.S.	15,348	41	USX	U.S.	8,860
8	New York City Systems	U.S.	35,537	25	Florida State Board	U.S.	14,411	42	Oregon Employes	U.S.	8,800
9	AT&T	U.S.	35,143	26	North Carolina Systems	U.S.	13,800	43	Philips	Netherlands	8,800
10	General Electric	U.S.	25,300	27	NYNEX	U.S.	13,401	44	Los Angeles County	U.S.	8,744
11	California Teachers	U.S.	24,721	28	Pa. Public Schools	U.S.	12,999	45	Maryland State	U.S.	8,717
12	New York Teachers	U.S.	22,779	29	Electricity Supply	U.K.	12,900	46	Universities Super.	U.K.	8,600
13	IBM	U.S.	21,761	30	Ameritech	U.S.	12,100	47	Rockwell Int'l	U.S.	8,538
14	New Jersey	U.S.	20,092	31	British Post Office	U.K.	11,900	48	Boeing	U.S.	8,476
15	Ford Motor	U.S.	19,650	32	Washington State Board	U.S.	10,867	49	Teamsters, Central	U.S.	8,469
16	Texas Teachers	U.S.	19,439	33	Bell Atlantic	U.S.	10,816	50	Ontario Municipal	Canada	8,400
17	British Coal	U.K.	17,200	34	GTE	U.S.	10,596				

Items 51 through 300 continued on page 35

World's top funds hold $1.8 trillion

By Margaret Price

The 300 largest pension funds in the world had $1.826 trillion in assets in 1988, a first-of-its kind survey by *Pensions & Investment Age* and InterSec Research Corp. shows.

Although most of the world's jumbo funds are in the United States, the two largest hail from outside North America: the estimated $113.2 billion Local Government Employees' pension fund of Japan and the approximately $71.7 billion Algemeen Burgerlijk Pensioenfonds of the Netherlands.

The largest U.S. fund — the $67.141 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund — is third.

All but one of the funds rounding out the top 10 — the $38.9 billion National Government Employees pension fund of Japan, which ranked fifth — are in the United States. They are, in order: the $45.94 billion California Public Employees' Retirement System; the $37.918 billion New York State & Local Retirement Systems; General Motors Corp.'s $37.6 billion employee benefit funds; the $35.537 billion New York City Retirement Systems; American Telephone & Telegraph Co.'s $35.143 billion employee benefit funds; and General Electric Co.'s $25.3 billion employee benefit funds.

According to InterSec, an investment management consulting firm in Stamford, Conn., 191 of the Top 300 are in the United States; 53, the United Kingdom; 18, the Netherlands; 11, Canada; eight, Germany; seven, Switzerland; six, Japan; four, Australia; and one each, Denmark and France.

Although British and private Australian pension funds average 70% to 80% exposure to equities, typical Japanese, German or Swiss pension funds "will never in our lifetimes" invest so aggressively, said David Booher, an InterSec director in London.

The more conservative foreign funds, however, will "build up their equities positions gradually," Mr. Booher said.

He said the two large Japanese public sector funds traditionally were controlled by Japan's Ministry of Finance, which invested mostly in Japanese fixed-income securities mainly to help finance Japan's governmental debt.

Following lobbying by Japan's public employees, Japan's Ministry of Health and Welfare, the Ministry of Home Affairs and others, the two large public Japanese pension funds began modest diversification. A small amount of their assets went to Japanese money managers, said Mr. Booher.

To accomplish this, the law that governs the Local Government Employees' pension plan had to be amended to permit use of out-

Continued on page 35

Investment banks get financing

By Marlene Givant Star and Marcia Parker

The financial services industry's thirst for capital is prompting investment banks, boutiques and money managers to seek out deep-pocketed U.S. and Japanese insurance companies and other financiers.

Amid the globalization of world financial markets and a merchant banking push, analysts expect to see more institutional investors injecting capital into financial services firms, and some unique partnership arrangements among the players.

In effect, the firms' clients are becoming the firms' capital suppliers as well.

Among the examples:

- Metropolitan Life Insurance Co. purchased about 10% of the closely held investment bank CS First Boston Inc. earlier this month. CS First Boston soon will announce another group of institutional investors such as insurance companies will take a 20% stake in the firm.
- Seven insurance companies invested $225 million in Goldman, Sachs & Co. in March, joining Japan's Sumitomo Bank, which had invested $500 million in the firm in 1986 in exchange for a 12.5% share of Goldman's profits.
- Several leading Japanese financial services giants — including Nikko Securities Inc. and Nomura Securities Co. have bought into such New York investment banking bou-

Continued on page 34

Overseas debt markets gain

By Marcia Parker

The growing appetite for debt among foreign companies and institutional investors, coupled with government fiscal restraints and stepped-up market deregulation, are stimulating the development of fledgling corporate bond and commercial paper markets in other countries.

For issuers in the United Kingdom, Japan, West Germany and other countries, the opening of the domestic debt markets eventually will mean cheaper financing, less reliance on banks and internal funds, and a more diverse shareholder base.

For investors, it means a bigger and more diversified pool of assets in which to invest at a time when the market for sovereign paper is shrinking. Foreign investors and U.S. institutions that invest internationally are heavily invested in government paper, a huge, safe and highly liquid market.

Domestic corporate bond markets outside the United States are quite small and illiquid. The U.S. bond market dwarfs all others, with more than $480 billion of domestic corporate bonds outstanding. Other relatively developed domestic bond markets exist in Japan, France, Canada and the Netherlands, while countries like the United Kingdom or West Germany lag far behind. The high-yield market outside the United States is nearly non-existent, but efforts are under way to cultivate it.

Outside the United States, issuers still rely primarily on banks and the well-established and efficient Euromarket. Many companies are cash rich and have strong capital bases and, as a result, have little need for additional capital.

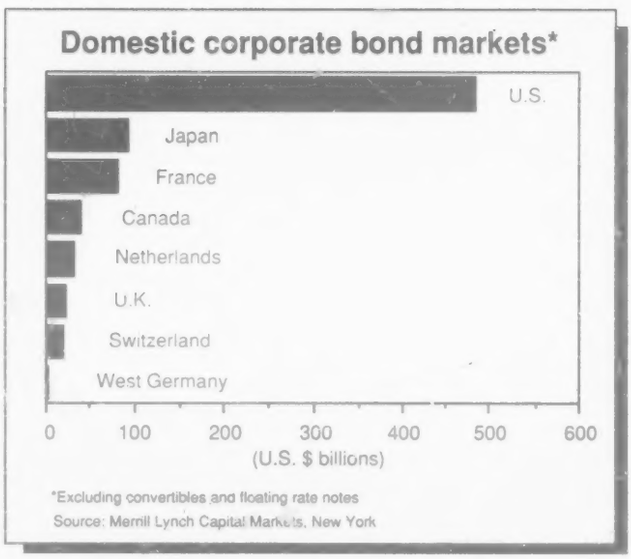
Those traditions are obstacles, along with opposition from some banks worried about the competition that a flourishing bond market would present to their corporate lending business.

Initially, the lack of liquidity and government tax policies might put these domestic markets at a cost disadvantage. But all that is changing, albeit slowly, according to investment bankers, issuers and investors.

Foreign companies competing in an increasingly international market where capital is the key to success are pushing for access to alternative and potentially cheaper financing sources.

Corporate debt levels are generally lower abroad compared with those in the United States. Few midsize and small companies float debt in their home countries.

As a result investors own more equity and sovereign paper than corporate debt. But as governments adopt tight fiscal policies, investors need something to replace government debt.



"The vast majority of debt is government debt and it's shrinking. We are very interested in the international corporate debt market," said Adam Greshin, executive vice president, Scudder, Stevens & Clark Inc., New York.

Scudder's foreign funds hold mostly sovereign paper because "corporate debt is hard to find," he said. In the corporate debt market, "there's the additional yield and additional relative performance advantages and the chance to get in on an emerging market before it's fully valued."

Finance officials and government regulators around the world are helping potential foreign issuers, and ultimately investors, gain ground in several ways.

In the United Kingdom Prime Minister Margaret Thatcher's fiscal tightfistedness, which will involve the retirement of about $17 billion to $25 billion of gilts annually during the next few years, will be a sharp stimulus to the nation's corporate bond and commercial paper markets, according to Kaj Areskoug, senior economist at Moody's Investors Service Inc., New York.

He said the government's $23 billion surplus in the 1989-1990 budget will lead to a retirement of at least 10% of outstanding gilts this year, thus freeing up funds for other uses. In addition, a net capital inflow is likely to bring in $23 billion of foreign savings. As a result, lendable funds equivalent to some 6% of gross domestic product will be available to the private sector — including corporate debt issuers — this year. Similar conditions are expected in the next several years.

On the demand side, Mr. Areskoug said recent measures such as the loosening of government restrictions on corporate bond maturities and issuing procedures, announced in March, will help to make public market debt a more viable financing option for U.K. corporations.

Carolyn Sykes, director at Warburg Investment Management International Ltd., New York, said the institutional investor demand for corporate debt securities exists but will have to be cultivated, and international corporate bond indexes will have to be developed to measure performance.

"In the U.K., there's a shortage of high-quality fixed-income assets," she said. "In many other countries, the trend to fiscal surplus means the conditions are conducive to development of corporate debt markets. But the international bond diversification movement is still a new one. I haven't seen a great deal of evidence of interest."

These and other factors could make the bond market an incrementally more attractive source of

Continued on page 33

Value leads way

Gary-Wheaton's stock portfolio on top

By Trudy Ring

Focusing on value helped equity funds reach the top of the PIPER universe in the first quarter.

Gary-Wheaton Bank, Chicago, led the Pensions & Investments' Performance Evaluation Report rankings in the quarter with a 14.3% return for its growth equity fund, which, despite its name, has a value orientation. The fund also was No. 1 for the year ended March 31, with 32.8%. It is slightly more than a year old.

The Standard & Poor's 500 Stock Index returned 7.1% in the quarter and 18.1% for the year. The median PIPER equity fund had 6.5% and 15.4%, respectively.

The median fund's underperformance continued in longer periods. The median return was 9.3% for the three years ended March 31, compared with 11% for the index. For the five-year period, the median was 16% and the index, 17.5%. For the 10-year period, the median was 15.6% and the S&P 500, 16.4%. All returns for periods of more than a year are compound annualized.

The PIPER equity universe is composed of 322 pooled funds offered by banks, trust companies and insurance companies.

Gary-Wheaton Bank's growth equity fund buys stocks whose prices are low relative to their book value, said Doug Eyles, vice president and trust division manager. The issuing companies also must have a promising long-term outlook, financial strength and good management, he said.

Holdings generally are not among the largest-capitalization companies in the market, but the stocks must be liquid enough that trading isn't difficult, Mr. Eyles said. While the bank has discretion over the fund's assets, it closely follows recommendations made by an outside adviser, Compu-Val Investments Inc., Wilmington, Del.

The $5 million fund typically holds about 40 issues and has turnover of 20% to 40% a year. Its largest holding is **CNW Corp.**; other major positions include **Kemper Corp., Triad Systems Corp.** and **M[illegible]**.

State Stre[illegible] and Trust Co., Boston, [illegible]nd for the quarter with [illegible]itatively managed matri[illegible]s fund. The fund return[illegible] in the quarter. It was sixth [illegible] both the year, with 23.8%, and the three-year period, with a compound annual 15.9%. It will be five years old June 30.

The fund's management uses two stock selection models, said Langdon Wheeler, vice president. One model focuses on value, as measured by how much growth and dynamism a company has vs. how cheap its stock is. The other looks at revisions of earnings estimates, with the assumption that companies with rising estimates will have rising stock prices.

Market sectors have the same weightings as in the S&P 500, while weightings of industries within those sectors may vary. Individual stocks are weighted equally, with 50 names in the fund. The fund is always fully invested and has about 150% annual turnover.

Some of its holdings are **TCBY Enterprises Inc., L.A. Gear Inc., General Motors Corp., General Mills Inc., The Dow Chemical Co.** and **Philip Morris Cos. Inc.**

The fund has $35 million in assets.

Chancellor Capital Management, New York, was third for the quarter with its MULTIFACT fund, which returned 11%. The fund returned 20.7% for the year, placing it in the top 20% of the rankings. It was just above the median for the three-year period, with 9.8%, but back in the top 20% for the five-year period, with 18.8%. In existence since 1983, it is too new for the 10-year period.

The fund was started when Chancellor Capital was Citicorp Investment Management, an affiliate of Citibank. After the management firm's sale to USF&G Corp., Baltimore, last year, it set up Chancellor Trust Co. to continue offering pooled funds. The pooled MULTIFACT fund has about $90 million in assets; separate accounts totaling $110 million are managed in similar fashion.

The strategy uses three variables — price volatility, value and earnings momentum, said Don Young, managing director of Chancellor Capital. The methodology is based on publicly available information, not forecasts, and is non-judgmental, he said.

The fund holds about 40 stocks, drawn from a universe of the 400 largest-cap companies, in equal weightings. It stays fully invested and has about 80% annual turnover.

Some recent strong performers were **MCI Communications Corp., Federal National Mortgage Association, NWA Inc., The Chase Manhattan Corp., Wells Fargo & Co.** and the firm's former parent, **Citicorp.**

The top fund for the three-year period was First Chicago Investment Advisors' institutional equity fund, with 18.2%. It was in the top 20% for the quarter, with 8.4%, and the top 10% for the year and five-year period, with 22.9% and 19.9%, respectively. For the 10-year period, it was nearer the middle, with 16.7%, reflecting different management before 1981, said Gary Brinson, president and chief investment officer.

The $520 million fund takes a value-oriented, contrarian approach to picking both large- and small-cap stocks. It also hedges with stock index futures when appropriate, Mr. Brinson said.

Going into the October 1987 market crash, it was 52% hedged. The hedge was removed in late 1987 and early 1988 but was restored in the first quarter of 1989, with the fund now 18% hedged. The three-year results reflect both good stock selection and the beneficial effect of hedging during the 1987 crash, Mr. Brinson said.

The fund holds about 70 stocks in varying weightings, with the largest being **Coca-Cola Enterprises Inc.** Another large position is **United Telecommunications Inc.**, which the fund bought when it sold off MCI after the latter stock tripled in price.

Sun Bank Capital Management, Orlando, Fla., topped both the five- and 10-year periods, with 26.8% and 23.2%, respectively. Its equity fund remained in the top 10% for the three years, with 15.8%, but fell to the bottom 30% for the most recent year, with 12.4%. It was just above the median for the quarter, with 6.6%.

"By our standards, we've done quite poorly" in recent periods, said Tony Gray, president. The $420 million fund focuses on large, successful companies with above-average earnings growth, but those companies' stocks have been out of favor in the past 15 months, Mr. Gray said.

The fund holds about 65 names now, with turnover about 200% a year.

Current holdings include **General Electric Co., CPC International Inc., Merck & Co. Inc.** and **Minnesota Mining & Manufacturing Co.** ■

Equity funds
(periods ended March 31, 1989)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.33%	32.84%	18.2 %	26.82%	23.16%
First quartile	7.65	18.15	11.11	17.77	17.01
Median	6.47	15.35	9.3	15.97	15.58
Third quartile	5.46	12.51	7.56	14.51	14.41
Lowest return	2.08	−17.34	−8.85	7.35	8.72
S&P 500	**7.08**	**18.11**	**10.97**	**17.48**	**16.36**

Looking for direction

Economic haziness holds bond funds short

By Fred Williams

Fixed-income portfolio managers topping Pensions & Investments' Performance Evaluation Report in the first quarter continued to hold primarily shorter maturity issues or high-yield bonds while waiting for clear signals on the direction of the economy.

The top performing PIPER fixed-income fund for the quarter and 12 months ended March 31 was the high-yield bond portfolio offered by First Variable Life Insurance Co., Little Rock, Ark., which returned 4.64% for the quarter and 17.94% for the year. In addition, the $2 million portfolio was in the upper decile for the three-, five- and 10-year periods as well with compound annual returns of 11.57%, 15.06% and 12.96%.

For the quarter and the year, the PIPER median portfolio returned 1.28% and 5.98%, respectively, compared with the Shearson Lehman Hutton Government/Corporate Bond Index returns of 1.09% and 5%. The 90-day Treasury bill was up 2.02% and 7.13%, respectively.

In the quarter, First Variable Life was followed by Imperial Trust Co., Los Angeles, with 4.32%, and Sunburst Bank, Grenada, Miss., with 3.48%.

For the 12 months, First Variable was followed by Trust Co. of the West, Los Angeles, with 11.04% and Wellington Trust, Boston, with 10.95%.

The PIPER fixed-income universe covers 293 bank and insurance company fixed-income funds representing total assets of $16.5 billion.

The First Variable portfolio is managed by Rebecca Garner, vice president at Amherst Investment Management Co., the investment arm of Monarch Capital Corp., Springfield, Mass., which owns First Variable.

Unlike many junk-bond funds, Ms. Garner said the First Variable portfolio is long-term oriented, allowing her to control volatility.

"We have very little exposure to the top tier of junk-bond companies," she said. "The top-tier companies, which are widely held and widely traded, is where the volatility is. By avoiding the top tier, you avoid volatility. That's one reason for the prolonged performance."

She said First Variable uses a proprietary modeling technique to "quantify relative credit rankings and assess the true worth of the credit" of the issues in the portfolio. "Risk is prioritized within the framework of relative value analysis. If I ever feel we aren't being paid for the risk we are taking in the high-yield market, we would reduce our exposure."

The portfolio usually has about 20 names that are held an average of at least two years, she said. "We buy more emerging credit companies with upgrade potential which typically take a little longer to work out," she said. "You shouldn't be in this market if you think you are going to get out next week."

Jefferson Trust & Savings Bank, Peoria, Ill., also finished in the top decile for the three- and 12-month periods.

Stephen C. Johnson, vice president and trust investment officer, said the $21 million fund is made up primarily of short to intermediate Treasury instruments.

"We have been extremely short, with about 65% of the portfolio due within about 18 months," he said. "Very short; very liquid."

Mr. Johnson said interest rates could inch higher within the next six months. "We may not have seen the peak in interest rates, but probably will over the next six months. We're looking for the yield curve to return to a more normal position during that time and will keep 80% of the portfolio to five years (maturity) or under and will stick exclusively with Treasuries," he said.

Sunburst Bank, which placed third for the quarter and was in the top decile for the 12 month and five-year periods with 8.5% and 15.55%, respectively.

Grey Duddleston, trust investment officer at Sunburst, said the $1.5 million fund primarily has been composed of convertible bonds.

He said the fund was reduced to 33% convertibles during the first quarter from 50% at the end of 1988, with the balance shifted into corporate bonds.

"We tried to avoid debt risk names by using primarily utilities and large-capitalization companies, governments and agency instruments," he said, adding the portfolio now is weighted about 10% in Treasury receipts, Treasury STRIPS and zero-coupon bonds.

He plans no dramatic shift in emphasis in the next six months. The bond market is currently "stuck in a trading range" following the recent bond market rally, he said. "Long bonds could get back to 9.25% on the high end and 8.6% on the low end in coming months.

"We still have some more bad medicine on the economy before the end of the year. I believe we will see slightly higher (interest) rates this summer before rates trend back downward."

For the longer term, the median PIPER fixed-income portfolio had compound annualized returns of 6.28% for three years, 11.62% for five years and 10.53% for 10 years. The Shearson Lehman Hutton index was up 5.83%, 12.29% and 10.84% for the respective periods. All figures for longer than one year are compound annualized.

Continued on page 14

Fixed-income funds
(periods ended March 31, 1989)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	4.64%	17.94%	14.43%	23.89%	16.29%
First quartile	1.5	5.98	6.88	12.62	11.18
Median	1.28	5.33	6.28	11.62	10.53
Third quartile	1.07	4.77	5.79	10.73	9.88
Lowest return	−1	2.3	1.83	7.72	6.63
SLH G/C	**1.09**	**5**	**5.83**	**12.29**	**10.84**

PIPER tables in this issue

Top quartile fixed-income funds 12
Top fixed-income funds by size 13
Top quartile equity funds 13
Top equity funds by size 13

PIPER

Top quartile commingled fixed-income funds

3-month returns

	%
First Variable Life, Ark.	4.6
Imperial Trust, Calif.	4.3
Sunburst Bank, Miss.	3.5
Jefferson Trust, Ill.	2.9
Delaware Trust	2.8
Bank of Delaware	2.7
Chancellor Capital (Bondshift)	2.5
Wellington Trust (Emerg.), Mass.	2.5
Trustmark Nat'l, Miss.	2.2
Signet Trust (Stable value), Va.	2.1
Travelers Cos. (SA D), Conn.	2.0
Bank of the West, Calif.	2.0
Equitable Capital (No. 5), N.Y.	2.0
Trust Co. of the West (High yield)	1.9
Bankers Trust (Gov./agen.), N.Y.	1.9
Dauphin Deposit (Short), Pa.	1.9
Banc One Asset (Invt.), Ohio	1.9
Southeast Bank, Fla.	1.9
First Wachovia, N.C.	1.9
First Fidelity Bank (Inter.), N.J.	1.8
Central Fidelity (Short), Va.	1.8
First Interstate of Wisconsin	1.8
First Kentucky Trust	1.8
State Bank (D), Ohio	1.8
Northern Trust, Ill.	1.8
Texas Commerce (Low vol.)	1.8
United Capital Mgmt., Colo.	1.8
Chicago Title & Trust	1.8
Transamerica Life (SA T-2), Calif.	1.8
Hawaiian Trust (Defensive)	1.7
First Fidelity Bank, N.J.	1.7
MTrust, Texas	1.7
Norwest Bank, Minn.	1.7
Continental Capital, Ill.	1.7
Marine Midland, N.Y.	1.7
Exchange Nat'l Bank, Ill.	1.7
Old Kent, Mich.	1.7
Bankers Trust (B), N.Y.	1.7
Texas Commerce (Active)	1.7
Nat'l Westminster Bank, N.J.	1.6
Southtrust Bank, Ala.	1.6
Fidelity, Pa.	1.6
SeaFirst Bank (Sea Cap), Wash.	1.6
Aetna Life (Shares/tot.), Conn.	1.6
Mercantile Bank, Mo.	1.6
Continental Capital (Inter.), Ill.	1.6
Valley Fidelity, Tenn.	1.6
First Alabama Bank	1.6
Travelers Cos., Conn.	1.6
Valley Nat'l (II), Ariz.	1.6
Wellington Trust (High yield), Mass.	1.6
NCNB Nat'l Bank, N.C.	1.5
Ameritrust (Reserve), Ohio	1.5
Confederation Life (Amer.), Ontario	1.5
First Variable (H.Q.), Ark.	1.5
CoreStates Investment, Pa.	1.5
Shawmut Bank (Inter.), Mass.	1.5
First Nat'l of Maryland	1.5
Security Nat'l Bank (II), W. Va.	1.5
Massachusetts Mutual	1.5
First Interstate of California	1.5
First Wisconsin Asset	1.5
Morgan Guaranty, N.Y.	1.5
SW Nat'l Bank of Pa.	1.5
Hamilton Bank, Pa.	1.5
Manufacturers Detroit	1.5
Chase Investors (Long), N.Y.	1.5
Connecticut Bank	1.5
Sun Bank, Fla.	1.5
Shearson Lehman G/C Index	**1.1**

1-year returns

	%
First Variable Life, Ark.	17.9
Trust Co. of the West (High yield)	11.0
Wellington Trust (Emerg.), Mass.	11.0
Wellington Trust (High yield)	10.0
Bank of Delaware	9.1
Signet Trust (Stable value), Va.	8.7
Jefferson Trust, Ill.	8.6
Sunburst Bank, Miss.	8.5
Beverly Trust, Ill.	8.5
First Interstate of California	8.5
Hawaiian Trust (Defensive)	8.4
Imperial Trust, Calif.	8.4
Delaware Trust	8.0
Chancellor Capital (Bondshift)	8.0
Trustmark Nat'l, Miss.	7.8
First Interstate of Wisconsin	7.8
Sanwa Bank (C), Calif.	7.7
Bank of the West, Calif.	7.7
Marine Midland, N.Y.	7.5
Equitable Capital (No. 5), N.Y.	7.4
Transamerica Life (SA T-2), Calif.	7.4
Boatmen's Trust, Mo.	7.3
Life of Virginia	7.2
Pacific Financial, Calif.	7.1
Bankers Trust (Gov./agen.), N.Y.	7.1
Cullen Bank, Texas	7.0
Northern Trust, Ill.	7.0
Morgan Guaranty, N.Y.	6.9
Sovran Capital (Inst.), Va.	6.8
Dauphin Deposit (Short), Pa.	6.7
First Kentucky Trust	6.6
Exchange Nat'l Bank, Ill.	6.6
Central Fidelity (Short), Va.	6.6
Second Nat'l Bank, Ohio	6.6
Norwest Bank, Minn.	6.6
United Capital Mgmt., Colo.	6.5
Chase Investors (Long), N.Y.	6.5
NCNB Texas (Long term)	6.4
Security Nat'l Bank (II), W. Va.	6.4
First Wisconsin Asset	6.4
Chemical Invest. Group (1), N.Y.	6.4
CIGNA Corp. (Active), Conn.	6.3
Mercantile Safe, Md.	6.3
Banc One Asset Mgmt., Ohio	6.3
First Wachovia, N.C.	6.3
SeaFirst Bank (Sea Cap), Wash.	6.3
American Security, D.C.	6.3
Fidelity Bank, Pa.	6.2
Travelers Cos. (SA D), Conn.	6.2
Bank of Tokyo (Inter.), N.Y.	6.2
HT Investors (A), R.I.	6.1
First Chicago	6.1
The New England, Mass.	6.1
First Nat'l of Maryland	6.1
The Principal, Iowa	6.1
SW Nat'l Bank of Pa. (Trust)	6.1
Nat'l Bank of Detroit	6.0
Bank One, Indianapolis	6.0
Chase Investors (CMB index), N.Y.	6.0
Bankers Trust (B), N.Y.	6.0
Chase Investors (Short-inter.), N.Y.	6.0
First Union Nat'l, N.C.	6.0
Trustcorp Bank, Ohio	6.0
Shearson Lehman G/C Index	**5.0**

3-year returns

	%
Travelers Cos. (SA D), Conn.	14.4
Trust Co. of the West (High yield)	11.9
First Variable Life, Ark.	11.6
Delaware Trust	11.3
Wellington Trust (Emerg.), Mass.	9.8
Beverly Trust, Ill.	9.6
Transamerica Life (SA T-2), Calif.	9.4
Trustmark Nat'l, Miss.	9.0
Hawaiian Trust (Defensive)	8.9
Signet Trust (Stable value), Va.	8.7
Chancellor Capital (Bondshift), N.Y.	8.7
First Interstate of Wisconsin	8.4
Sanwa Bank (C), Calif.	8.3
Mutual of New York (Priv.)	8.1
First Chicago	8.0
Morgan Guaranty, N.Y.	7.9
Pacific Financial, Calif.	7.9
Mid-State Bank, Pa.	7.8
Mercantile Safe, Md.	7.8
Bankers Trust (Mtg.), N.Y.	7.7
United Capital Mgmt., Colo.	7.7
Colonial American Nat'l, Va.	7.6
Summit Trust, N.J.	7.6
First Interstate of California	7.6
Marine Midland, N.Y.	7.6
IAA Trust (B), Ill.	7.5
First Kentucky Trust	7.5
Chase Investors (Short-inter.), N.Y.	7.5
Mercantile Safe (Inter.), Md.	7.5
Jefferson Trust, Ill.	7.4
Aetna Life (Shares/tot.), Conn.	7.4
Norwest Bank, Minn.	7.4
Wheeling Dollar Bank, W. Va.	7.4
The Principal, Iowa	7.3
Northern Trust, Ill.	7.3
Sovran Capital Mgmt., Va.	7.3
Cullen Bank, Texas	7.3
Capital Trust, Ore.	7.3
Valley Fidelity, Tenn.	7.2
Texas Commerce (Low vol.)	7.2
First Alabama Bank	7.2
Wellington Trust, Mass.	7.2
Dauphin Deposit (Short), Pa.	7.2
Columbus Bank, Ga.	7.2
Wilmington Trust, Del.	7.1
SeaFirst Bank (Sea cap), Wash.	7.1
Banc One Asset Mgmt., Ohio	7.1
Harris Trust (Gain), Ill.	7.1
Midlantic, N.J.	7.1
First Wachovia, N.C.	7.1
Society Nat'l, Ohio	7.1
Sunburst, Miss.	7.0
Bankers Trust (Gov./agen.), N.Y.	7.0
The New England, Mass.	7.0
CoreStates Investment, Pa.	6.9
Harris Trust, Ill.	6.9
Michigan Nat'l	6.9
Prudential (VCA 8), N.J.	6.9
Central Fidelity (Short), Va.	6.9
Shawmut Bank (Inter.), Mass.	6.9
Bankers Trust (B), N.Y.	6.9
Assoc. Bank Neenah (Long), Wis.	6.9
Connecticut Nat'l Bank	6.9
Shearson Lehman G/C Index	**5.8**

Disappointing?

Solutions

for multiple-manager plans.

Independence Investment Associates

One Liberty Square, Boston, Massachusetts 02109

617 292 8700

PIPER

5-year returns

	%
Travelers Cos. (SA D), Conn.	23.9
United Capital Mgmt., Colo.	17.0
Delaware Trust	16.3
Boatmen's Trust, Mo.	15.8
Equitable Capital (No. 5), N.Y.	15.6
Sunburst Bank, Miss.	15.6
Transamerica Life (SA T-2), Calif.	15.2
Beverly Trust, Ill.	15.1
First Variable Life, Ark.	15.1
LaSalle Nat'l (Long), Ill.	14.4
IAA Trust (B), Ill.	14.3
Connecticut Nat'l Bank	14.2
Travelers Cos. (SA P)	14.0
Sanwa Bank (C), Calif.	13.9
The Principal, Iowa	13.9
Life of Virginia	13.8
First Chicago	13.7
First Kentucky Trust	13.7
Independence Investment, Mass.	13.6
Bankers Trust (Mtg.), N.Y.	13.6
American Security, D.C.	13.6
First Interstate of Arizona	13.6
Society Nat'l, Ohio	13.6
Northern Trust, Ill.	13.5
First Variable Life (H.Q.), Ark.	13.5
Colonial American Nat'l, Va.	13.5
Pacific Financial, Calif.	13.4
Colorado Nat'l Bank	13.3
Nat'l Bank of Commerce, Neb.	13.3
Morgan Guaranty, N.Y.	13.3
Harris Trust, Ill.	13.3
NCNB Texas (Long term)	13.2
Wellington Trust (Emerg.), Mass.	13.2
First Interstate of California	13.2
Sovran Capital (Inst.), Va.	13.1
First Nat'l Mercantile (B), Mo.	13.1
Aetna Life (Shares/tot.), Conn.	13.1
SeaFirst Bank (Sea cap), Wash.	13.1
First Wachovia, N.C.	13.0
Merus Capital (Flexible), Calif.	13.0
Continental Capital Mgmt., Ill.	12.9
Marine Midland, N.Y.	12.9
Mutual of New York (Priv.)	12.8
Connecticut Nat'l Bank (Inter.)	12.8
First Wisconsin Asset	12.8
Bankers Trust (A), N.Y.	12.8
Chemical Invest. Group (1), N.Y.	12.7
Metropolitan Life (SA 41), N.Y.	12.7
Chancellor Capital, N.Y.	12.7
CIGNA Corp. (Active), Conn.	12.6
Exchange Nat'l Bank, Ill.	12.6
First Nat'l of Omaha (C), Neb.	12.6
Key Trust Co., N.Y.	12.6
IDS Trust (A), Minn.	12.6
Mellon Bond, Pa.	12.6
Chemical Bank (Active), N.Y.	12.6
Central Fidelity, Va.	12.6
Bessemer Trust, N.Y.	12.6
First Alabama	12.6
Shearson Lehman G/C Index	**12.3**

10-year returns

	%
Travelers Cos. (SA D), Conn.	16.3
United Capital Mgmt., Colo.	13.5
Beverly Trust, Ill.	13.5
Sovran Capital Mgmt. (Inst.), Va.	13.0
First Variable Life, Ark.	13.0
Boatmen's Trust, Mo.	12.9
SeaFirst Bank (Sea cap), Wash.	12.6
Pacific Financial, Calif.	12.5
American Security, D.C.	12.4
First Kentucky Trust	12.3
Life of Virginia	12.2
Texas Commerce (Active)	12.1
Fidelity Bank, Pa.	12.1
Sanwa Bank (C), Calif.	12.0
First Interstate of California	12.0
Morgan Guaranty, N.Y.	11.9
Bankers Trust (Mtg.), N.Y.	11.8
First Interstate of Arizona	11.7
Connecticut Nat'l Bank	11.7
Nat'l Westminster Bank, N.J.	11.7
Cullen Bank, Texas	11.6
First Wisconsin Asset	11.6
Central Fidelity, Va.	11.6
Hibernia Nat'l, La.	11.5
Bank of New England, Mass.	11.5
Aetna Life (Shares/tot.), Conn.	11.4
Independence Investment, Mass.	11.4
Mercantile Bank, Mo.	11.4
IAA Trust Co. (B), Ill.	11.4
Jefferson Trust, Ill.	11.4
Bankers Trust (B), N.Y.	11.3
American Nat'l Bank, Tenn.	11.3
Bankers Trust (A), N.Y.	11.3
Manufacturers Detroit	11.3
Society Nat'l, Ohio	11.2
Colonial American Nat'l, Va.	11.2
First Nat'l of Maryland	11.2
Northern Trust (Inter.), Ill.	11.2
Trustcorp Bank, Ohio	11.2
Hamilton Bank, Pa.	11.2
Second Nat'l Bank, Ohio	11.2
First Wachovia, N.C.	11.2
First Chicago	11.2
Key Trust Co., N.Y.	11.2
Shearson Lehman G/C Index	**10.8**

Top fixed funds by size

1-year returns

Over $100 million

	%
Trust Co./the West (High yield)	11.0
Signet Trust (Stable value), Va.	8.7
Hawaiian Trust (Defensive)	8.4
Trustmark Nat'l, Miss.	7.8
Equitable Capital (No. 5), N.Y.	7.4
Transamerica (SA T-2), Calif.	7.4
Boatmen's Trust, Mo.	7.3
Morgan Guaranty, N.Y.	6.9
Sovran Capital (Inst.), Va.	6.8
First Kentucky Trust	6.6

$50 million to $100 million

	%
Marine Midland, N.Y.	7.5
Life of Virginia	7.2
Bankers Trust (Gov./agen.)	7.1
Northern Trust, Ill.	7.0
Dauphin Deposit (Short), Pa.	6.7
Banc One Asset (Invt.), Ohio	6.3
Fidelity Bank, Pa.	6.2
Bankers Trust (B), N.Y.	6.0
CoreStates Invest., Pa.	5.8
Texas Commerce (Low vol.)	5.7

$10 million to $50 million

	%
Wellington Trust (Emerg.)	11.0
Bank of Delaware	9.1
Jefferson Trust, Ill.	8.6
Beverly Trust, Ill.	8.5
First Interstate of California	8.5
Delaware Trust	8.0
Chancellor Capital (Bondshift)	8.0
Sanwa Bank (C), Calif.	7.7
Cullen Bank, Texas	7.0
Norwest Bank, Minn.	6.6

Under $10 million

	%
First Variable Life, Ark.	17.9
Wellington Trust (High yield)	10.0
Sunburst Bank, Miss.	8.5
Imperial Trust, Calif.	8.4
Bank of the West, Calif.	7.7
Exchange Nat'l Bank, Ill.	6.6
Central Fidelity (Short)	6.6
Second Nat'l Bank, Ohio	6.6
Security Nat'l Bank (II)	6.4
SW Nat'l Bank of Pa. (Trust)	6.1

10-year returns

Over $100 million

	%
Sovran Capital (Inst.), Va.	13.0
Boatmen's Trust, Mo.	12.9
American Security, D.C.	12.4
First Kentucky Trust	12.3
Texas Commerce (Active)	12.1
Morgan Guaranty, N.Y.	11.9
Bankers Trust (Mtg.), N.Y.	11.8
Bank of New England, Mass.	11.5
Aetna Life (Shares/tot.), Conn.	11.4
Independence Invest., Mass.	11.4
Mercantile Bank, Mo.	11.4

$50 million to $100 million

	%
Life of Virginia	12.2
Fidelity Bank, Pa.	12.1
Nat'l Westminster Bank, N.J.	11.7
Hibernia Nat'l, La.	11.5
Bankers Trust (B), N.Y.	11.3
Bankers Trust (A), N.Y.	11.3
Manufacturers Detroit	11.3
Mellon Bond, Pa.	11.0
Bank One Wis. Trust (Inter.)	10.8
Massachusetts Mutual	10.8

$10 million to $50 million

	%
United Capital Mgmt., Colo.	13.5
Beverly Trust, Ill.	13.5
SeaFirst Bank (Sea cap)	12.6
Sanwa Bank (C), Calif.	12.0
First Interstate of California	12.0
First Interstate of Arizona	11.7
Cullen Bank, Texas	11.6
First Wisconsin Asset	11.6
IAA Trust Co. (B), Ill.	11.4
Jefferson Trust, Ill.	11.4

Under $10 million

	%
First Variable Life, Ark.	13.0
Connecticut Nat'l Bank	11.7
Central Fidelity, Va.	11.6
Colonial American Nat'l, Va.	11.2
Hamilton Bank, Pa.	11.2
Second Nat'l Bank, Ohio	11.2
Oregon Bank	10.9
Exchange Nat'l Bank, Ill.	10.7
Firstier Bank Lincoln, Neb.	10.5
First NH Investment (B)	10.2

Top quartile commingled equity funds

3-month returns

	%
Gary-Wheaton Bank (Growth), Ill.	14.3
State Street (Matrix syn.), Mass.	11.2
Chancellor (Multifact), N.Y.	11.0
Connecticut Mutual (CM)	11.0
Penn Mutual Life (SA A)	10.8
Trust Co. of the West (Strategy)	10.8
New York Life (SA 6)	10.7
First Interstate Oregon	10.6
Chase Investors (Spectrum), N.Y.	10.5
Mercantile Nat'l, Ind.	10.4
Bank One Wis. Trust (Disc.)	10.3
Stock Yards Bank (Trust), Ky.	10.2
Equitable Capital (No. 4), N.Y.	10.2
Lincoln Nat'l (Select), Ind.	10.0
Meridian Trust, Pa.	9.9
Security Pacific (E), Calif.	9.9
Citizens Bank (Emp. B), Mo.	9.7
Boatmen's FNB Kansas City, Mo.	9.7
State Street (Value I), Mass.	9.5
Texas Commerce (Diver.)	9.4
SLH Trust (Flex growth 7), Del.	9.4
Guardian Insurance (VA 1), N.Y.	9.3
First Fidelity Bank (Disc.), N.J.	9.2
Bank of New England (Valuepath)	9.1
Independence Invest. (1L), Mass.	9.1
Capital Trust (I), Ore.	8.9
Metropolitan Life (SA 40), N.Y.	8.9
Prudential (1st Essex), N.J.	8.8
Harris Trust (Systematic), Ill.	8.8
Harris Trust, Ill.	8.8
Connecticut Bank	8.8
State Street, Mass.	8.7
Chancellor Capital, N.Y.	8.6
Continental Capital, Ill.	8.5
Markston Investment Mgmt., N.Y.	8.5
Deposit Guaranty Nat'l, Miss.	8.5
Wellington Trust (Diver.), Mass.	8.4
Assoc. Bank Neenah, Wis.	8.4
First Chicago	8.4
Chancellor Capital (Index plus)	8.4
Prudential (PRIFORM-low p/e)	8.4
Nat'l Bank of Commerce, Neb.	8.4
Second Nat'l Bank, Ohio	8.4
Marine Midland, N.Y.	8.3
CNA Insurance (SA A), Ill.	8.3
First Bank Milwaukee (Collective)	8.2
First American of Georgia	8.1
Colonial American Nat'l (C), Va.	8.1
American Nat'l Chicago (Active)	8.1
Wellington Trust (Income), Mass.	8.0
Merus Capital (Growth/strat.), Calif.	8.0
Midlantic, N.J.	8.0
Summit Bank, Ind.	8.0
IDS Trust (Core growth), Minn.	7.9
Star Bank, Ohio	7.9
MTrust (Growth), Texas	7.9
First City Nat'l (Port.), Texas	7.9
Independence Invest. (1K), Mass.	7.8
American Nat'l St. Paul, Minn.	7.8
Harris Trust (Low p/e), Ill.	7.8
Provident Bank, Ohio	7.8
Texas American Bank	7.8
NCNB Texas (Growth)	7.7
Fidelity Mgmt. (Income), Mass.	7.7
MTrust (Value), Texas	7.7
IDS Trust (A), Minn.	7.7
Standard & Poor's	**7.1**

1-year returns

	%
Gary-Wheaton Bank (Growth), Ill.	32.8
United Capital, Colo.	25.8
Connecticut Mutual (CM)	25.8
U.S. Nat'l Bank, Texas	25.4
Boatmen's Trust, Mo.	23.8
State Street (Matrix syn.), Mass.	23.8
Chase Investors (Spectrum), N.Y.	23.3
Bank One Wis. Trust (Disc.)	22.9
Mercantile Nat'l, Ind.	22.9
First Chicago	22.9
Stock Yards Bank (Trust), Ky.	22.3
Merus Capital (Income), Calif.	22.1
New York Life (SA 6)	21.8
State Street (Value I), Mass.	21.7
First Nat'l Mercantile (A), Mo.	21.6
Markston Investment Mgmt., N.Y.	21.6
Second Nat'l Bank, Ohio	21.5
Crown Life (U.S. grp.), Ontario	21.3
Meridian Trust, Pa.	21.3
First Interstate Billings, Mont.	21.2
State Street, Mass.	21.1
Midlantic, N.J.	21.1
Equitable Capital (No. 1), N.Y.	21.1
Assoc. Bank Neenah, Wis.	21.1
Independence Invest. (1K), Mass.	20.9
Bank One Wis. Trust (Growth)	20.9
Colonial American Nat'l (C), Va.	20.8
Chancellor Capital (Multifact)	20.7
MTrust (Value), Texas	20.6
Equitable Capital (No. 4), N.Y.	20.6
Harris Trust (Low p/e), Ill.	20.6
LaSalle Nat'l (Instrinsic), Ill.	20.6
Gary-Wheaton Bank (Hedged), Ill.	20.5
SLH Trust (Contrarian 6), Del.	20.5
Fidelity Mgmt. (Income), Mass.	20.4
Mid-State Bank, Pa.	20.4
Wellington Trust (Income), Mass.	20.1
Summit Bank, Ind.	19.9
Jefferson Trust (Growth), Ill.	19.8
Harris Trust, Ill.	19.8
Confederation Life, Ga.	19.5
Banc One Asset. (Growth), Ohio	19.5
Wellington Trust (Divers.), Mass.	19.4
Chancellor (Stockshift 200)	19.4
American Security (High yield)	19.4
Chase Investors (Index), N.Y.	19.4
Harris Trust (Systematic), Ill.	19.4
Exchange Nat'l Bank, Ill.	19.2
First Union Nat'l (Enhanced), N.C.	19.2
Provident Capital (SA 1), Pa.	19.2
NCNB Texas	19.1
IDS Trust (Core growth), Minn.	18.9
Deposit Guaranty Nat'l, Miss.	18.9
American Nat'l St. Paul, Minn.	18.9
Independence Invest. (1L), Mass.	18.7
LaSalle Nat'l (Core), Ill.	18.7
Prudential (PRIFORM-low p/e)	18.7
Travelers Insurance (SA 500)	18.5
Security Pacific, Calif.	18.4
U.S. Nat'l Oregon (Qualivest)	18.4
Sovran Capital (Inst.), Va.	18.4
Lincoln Nat'l (Select), Ind.	18.3
State Street (S&P index), Mass.	18.3
PW Trust (Conserv.), N.J.	18.3
Bank One Wis. Trust (Income)	18.2
Wilmington Trust-Tremont (Inc.)	18.2
American Security, D.C.	18.2
Standard & Poor's	**18.1**

3-year returns

	%
First Chicago	18.2
First Fidelity Bank (Disc.), N.J.	17.3
Bank One, Indianapolis (L)	17.1
Bank One Wis. Trust (Disciplined)	16.1
State Street (Matrix syn.), Mass.	15.9
Sun Bank, Fla.	15.8
IDS Trust (Core growth), Minn.	14.4
United Capital, Colo.	14.1
Crown Life (U.S. grp.) Ontario	14.1
SLH Trust (Value 4), Del.	14.0
Merus Capital (Income), Calif.	14.0
NCNB Texas (Diverse)	13.8
Capital Trust (I), Ore.	13.8
South Carolina Nat'l	13.7
Sovran Capital (Inst.), Va.	13.6
The Phoenix, Conn.	13.6
American Nat'l St. Paul, Minn.	13.5
American Security (High yield)	13.4
Cullen Bank, Texas	13.3
Meridian Trust, Pa.	13.3
U.S. Nat'l Bank, Texas	13.1
State Street (Value 1), Mass.	13.1
Jefferson Trust (Growth), Ill.	13.1
Confederation Life, Ga.	12.9
State Street, Mass.	12.9
Dominion Trust (Corp.), Va.	12.7
State Bank (C), Ohio	12.6
First American of Georgia	12.6
Merus Capital (Growth/strat.)	12.5
Markston Invesment Mgmt.	12.4
Mutual of New York (Income)	12.3
NCNB Texas (Income)	12.3
First Nat'l Mercantile (A), Mo.	12.2
Mutual of New York (Divers.)	12.2
First Illinois (Personal)	12.2
First Alabama Bank (I)	12.1
First Fidelity Bank, N.J.	12.0
Independence Invest. (1K), Mass.	12.0
NCNB Texas	11.9
Wellington Trust (Divers.), Mass.	11.9
First Illinois (Corp.)	11.8
Gary-Wheaton Bank (Hedged), Ill.	11.8
Wellington Trust (Income), Mass.	11.8
Connecticut Mutual (CM)	11.8
Chase Investors (Index), N.Y.	11.8
Assoc. Bank Neenah, Wis.	11.7
First Interstate Oregon	11.7
College Ret. Equity Fund, N.Y.	11.6
U.S. Nat'l Oregon (Qualivest)	11.6
Southtrust Bank, Ala.	11.5
First NH Investment (A)	11.4
First Interstate of Calif. (Index)	11.3
Aetna Life (Variable), Conn.	11.3
Harris Trust (Systematic), Ill.	11.2
Travelers Insurance (SA 500)	11.2
Morgan Guaranty (Lg. co.), N.Y.	11.2
Colorado Nat'l Bank	11.2
First Nat'l of Omaha (D), Neb.	11.2
American Security, D.C.	11.2
Bankers Trust (Index), N.Y.	11.1
First Nat'l of Maryland	11.1
Morgan Guaranty, N.Y.	11.1
Standard & Poor's	**11.0**

5-year returns

	%
Sun Bank, Fla.	26.8

Continued on page 14

Top equity funds by size

1-year returns

Over $100 million

	%
First Chicago	22.9
Merus Capital (Inc.), Calif.	22.1
New York Life (SA 6)	21.8
Markston Invest. Mgmt., N.Y.	21.6
Meridian Trust, Pa.	21.3
Equitable Capital (No.1), N.Y.	21.1
Independence Invest. (1K)	20.9
Equitable Capital (No.4), N.Y.	20.6
Fidelity Mgmt. (Inc.), Mass.	20.4
Harris Trust, Ill.	19.8

$50 million to $100 million

	%
Boatmen's Trust, Mo.	23.8
Chase Investors (Spectrum)	23.3
Midlantic, N.J.	21.1
Chancellor (Multifact)	20.7
MTrust (Value), Texas	20.64
Provident Capital (SA 1), Pa.	19.2
Sovran Capital (Inst.), Va.	18.4
Lincoln Nat'l (Select), Ind.	18.3
Bank One Wis. Trust (Inc.)	18.2
First Interstate of Calif. (Index)	17.9

$10 million to $50 million

	%
United Capital Mgmt., Colo.	25.9
Connecticut Mutual (CM)	25.8
U.S. Nat'l Bank, Texas	25.4
State Street (Matrix syn.)	23.8
Banc One Wis. Trust (Disc.)	22.9
State Street (Value 1)	21.7
First Nat'l Mercantile (A), Mo.	21.6
Crown Life (U.S. grp.), Ontario	21.3
State Street, Mass.	21.1
Assoc. Bank Neenah, Wis.	21.1

Under $10 million

	%
Gary-Wheaton (Growth), Ill.	32.8
Mercantile Nat'l, Ind.	22.9
Second Nat'l Bank, Ohio	21.5
Colonial American Nat'l (C)	20.8
Gary-Wheaton (Hedged), Ill.	20.5
Wellington Trust (Divers.)	19.4
American Security (High yield)	19.4
Exchange Nat'l Bank, Ill.	19.2
IDS Trust (Core growth), Minn.	18.9
Prudential (PRIFORM-low p/e)	18.7

10-year returns

Over $100 million

	%
Sun Bank, Fla.	23.2
First Union, N.C.	20.4
Merus Capital (Inc.), Calif.	19.6
U.S. Nat'l Oregon (Qualivest)	19.4
Provident Capital, Pa.	19.0
The New England (Sep. gro.)	19.0
Equitable Capital (No. 4), N.Y.	19.0
MTrust (Growth), Texas	18.8
Bessemer Trust, N.Y.	18.3
Manufacturers Detroit	18.0

$50 million to $100 million

	%
NCNB Texas (Diverse)	18.4
MTrust (Value), Texas	18.4
Merus Capital (Growth/strat.)	18.1
Texas Commerce (Diverse)	17.1
Sovran Capital (Inst.), Va.	17.1
The Phoenix, Conn.	17.0
Mercantile Safe, Md.	17.0
Chase Investors (Spectrum)	16.7
Boatmen's Trust, Mo.	16.3
Bank One Wis. Trust (Inc.)	16.2

$10 million to $50 million

	%
First Fidelity (Disc.), N.Y.	20.3
United Capital, Colo.	20.2
Guardian Insurance (VA 1)	19.9
U.S. Nat'l Bank, Texas	19.3
Confederation Life, Ga.	18.5
Citizens Bank (Emp. B), Mo.	18.3
State Street, Mass.	18.3
First Nat'l of Omaha (D), Neb.	18.0
Connecticut Mutual (CM)	17.9
Dauphin Deposit (Corp.), Pa.	17.7

Under $10 million

	%
First NH Investment (A)	19.2
First Interstate Oregon	18.3
Aetna Life (Variable), Conn.	17.8
Prudential (PRIFORM-low p/e)	17.5
Wheeling Dollar Bank, W. Va.	17.3
Bankers Trust (Index), N.Y.	16.6
Merchants Nat'l (2), Ind.	15.7
Puget Sound Nat'l, Wash.	15.7
Second Nat'l Bank, Ohio	15.4
First Nat'l of Commerce, La.	15.3

NEWS BRIEFS

Ohio board selects 3

COLUMBUS, Ohio — The State Board of Deposit for Ohio has designated three Ohio banks to serve as depositories for the state's five retirement systems.

The Board of Deposit, headed by Treasurer Mary Ellen Withrow, is required every two years to designate financial institutions in Ohio's Franklin County to act as depositories for the state's active and interim funds and those of the state pension systems. The choice is made on cost, performance history and service availability, according to Leesa Brown, Ms. Withrow's spokeswoman.

Selected were: Ameritrust Co. for the state's $2.6 billion Police and Firemen's Disability and Pension Fund and the $2.4 billion School Employees Retirement System; Bank One, for the $16.4 billion Public Employees' Retirement System and $15.3 billion State Teachers Retirement System; and Huntington National Bank, for the $160 million State Highway Patrol Retirement System.

Insurers avoid woes

NEW YORK — Most life insurance companies have prudently managed their exposure to leveraged buy-out financings, and the industry's exposure to buyouts is reasonable relative to capital levels, according to a Special Comment report by Moody's Investors Service, the bond rating agency.

Life insurers have been drawn to higher-yield, lower-quality investments like leveraged buy-outs to offset lower returns and narrower profit margins on the more competitive products offered in the industry during the past decade, the report said.

Of the 10 life insurance companies sampled, seven had only about 1% to 2% of their invested assets in leveraged buy-outs, representing about 25% to 35% of the capital in the sample. Although Equitable Life Assurance Society of the United States, New York, and the Prudential Insurance Co. of America, Newark, N.J., have significant exposure to leveraged buy-out investments — 3.5% and 6.2% respectively as of Sept. 30 — the Moody's report said the two insurers "maintain competitive advantages in their ability to provide LBO financings to the market and have developed strong reputations in directly structuring LBO deals."

Moody's is concerned about the long-term uncertainty associated with leveraged buy-out exposure under difficult economic conditions.

Life insurers' participation in buy-outs can take the form of directly placed lending, investing in limited partnership funds or unintentional participation through event risk of corporate bond holdings.

Social index available

CAMBRIDGE, Mass. — Peter D. Kinder & Co., a research firm that monitors corporate social responsibility, has developed a socially screened stock index that it says will show a high degree of correlation with the Standard & Poor's 500 Stock Index.

The index, called the Weighted Social Index, comes out of a year-long study of the feasibility of indexing stocks screened for a broad range of social constraints. The firm selected stocks for the index on the basis of their corporate accountability profiles.

No company with South African operations qualified for the index, nor did any company that receives more than 4% of its sales from weapons, alcoholic beverages, tobacco, gambling or the nuclear power industry.

The screening also was set up to give preference to companies with records of positive action on environmental concerns, manufacturing methods, employee relations and programs and corporate citizenship.

The companies were selected from the S&P 500 and the next 500 largest corporations; the social index ended up with 403 stocks. On a market-weighted basis, nearly 88% of the index is made up of companies from the S&P 500.

As of Dec. 31, the index had total market capitalization of $898.2 billion, compared with $1.9 trillion for the S&P 500. On a market-weighted basis, the average issue in the index had capitalization of $10.7 billion, compared with $13.8 billion for the average S&P 500 issue.

For the five years ended Dec. 31, the social index had a compound annual return of 21.4%, outperforming the S&P 500's 15.3%.

Sanwa launches unit

The Sanwa Bank Ltd. of Japan has begun operations of Sanwa Bank Trust Co. of New York.

Sanwa Bank Trust Co., a wholly owned subsidiary of the parent, offers trustee, agency and custody services to corporate clients. Takeo Sakai, director and general manager of Sanwa Bank's New York branch, was named president.

Exec takes new job

BIRMINGHAM, Ala. — Dennis R. Plyler has joined Birmingham Steel Corp. as director of corporate planning.

Mr. Plyler was employed by Arthur Young & Co., where he was a senior tax manager on the Birmingham Steel account.

In the newly created position, Mr. Plyler will report to Phillip E. Casey, executive vice president and chief financial officer. Mr. Plyler will be involved in defining the strategic direction of the steel-producing company and in mergers, acquisitions and other special projects. He also will oversee investments of the company's profit-sharing plan and certain employee benefits programs.

Roberts is promoted

NEW YORK — Dan C. Roberts has been named managing director of the fixed-income group at Chase Investors Management Corp., New York. He replaces H. Dean Benner who left CIMC to pursue other interests.

Mr. Roberts previously was a managing director and member of the investment policy committee of Chase Investors, and before that was head of global interest rate and currency swaps trading at the firm. He also has been chief of staff of the Joint Economic Committee of the U.S. Congress and financial economist with the President's Council of Economic Advisors.

Chandor in new job

BOSTON — Karen Chandor, who has been vice president of marketing and client services at Gardner and Preston Moss Inc. for 12 years, joined Standish, Ayer & Wood Inc.

Ms. Chandor, a past president of the Association of Investment Marketing and Sales Executives, will be vice president and co-director of marketing and client services with Richard C. Doll.

Standish, Ayer & Wood has $8 billion under management, $4.2 billion for tax-exempt clients. Gardner and Preston Moss has about $3 billion under management, most of it for tax-exempt clients.

Ms. Chandor said she would be involved in marketing to Standish's full range of taxable and tax-exempt clients. She said her responsibilities at Gardner and Preston Moss will be shared by three current executives — Matthew Spinale, Nancy Follansbee and Jeff Gallahue, all vice presidents.

Firm's name altered

ASHEVILLE, N.C. — G. Waring Boys Co. Inc. has changed its name to Boys, Arnold & Co. Inc., said G. Waring Boys, president.

The name change recognizes the contribution that Thomas Arnold, senior vice president, has made to the firm, Mr. Boys said.

The firm, a balanced manager, runs $185 million, of which 55% is tax exempt. Clients are primarily in the Southeast.

Continued from page 13

State Bank (C), Ohio	22.3
IDS Trust (Core growth), Minn.	21.8
State Street (Value I), Mass.	21.4
NCNB Texas (Diverse)	21.1
Merus Capital (Income), Calif.	20.9
Guardian Insurance (VA 1), N.Y.	20.8
Harris Trust (Systematic), Ill.	20.6
Pioneer Bank, Ill.	20.4
Bank One Wis. Trust (Disciplined)	20.2
Assoc. Bank Neenah, Wis.	19.9
First Chicago	19.9
First NH Investment (A)	19.7
Barnett Banks, Fla.	19.5
Morgan Guaranty (Lg. co.), N.Y.	19.3
First Interstate Oregon	19.3
Capital Trust (I), Ore.	19.2
Sovran Capital (Inst.), Va.	19.1
U.S. Nat'l, Texas	19.1
Cullen Bank, Texas	19.1
SLH Trust (Value 4), Del.	19.1
First Fidelity Bank (Disc.)	19.0
Independence Invest. (1K), Mass.	19.0
Puget Sound Nat'l, Wash.	19.0
Crown Life (U.S. grp.), Ontario	18.9
State Street, Mass.	8.9
Chancellor Capital (Multifact)	18.8
Manufacturers Detroit	18.8
Dominion Trust (Corp.), Va.	18.7
Meridian Trust, Pa.	18.7
Wellington Trust (Diverse), Mass.	18.6
Merus Capital (Growth/strat.)	18.5
Mellon Equity Assoc., Pa.	18.5
First Fidelity Bank, N.J.	18.5
Summit Trust, N.J.	18.5
American Nat'l Chicago (Active)	18.4
Chancellor Capital (Index plus)	18.3
NBD Trust, Ill.	18.3
Independence Invest. (1L), Mass.	18.2
First Nat'l of Omaha (D), Neb.	18.2
MTrust (Value), Texas	18.2
Mutual of New York (Income)	18.2
IDS Trust (A), Minn.	18.1
Prudential (1st Essex), N.J.	18.1
Bank of New England (Valuepath)	18.1
Aetna Life (Variable)	18.0
First American of Georgia	17.9
Continental Bancorp, Pa.	17.9
SLH Trust (Flex growth 7), Del.	17.9
Frost Nat'l (A), Texas	17.8
Harris Trust, Ill.	17.8
Colorado Nat'l Bank	17.8
Nat'l Westminster Bank, N.J.	17.8
First Nat'l of Maryland	17.8
Summit Bank, Ind.	17.8
First Illinois (Corp.)	17.8
Standard & Poor's	**17.5**

10-year returns

	%
Sun Bank, Fla.	23.2
First Union Nat'l Bank, N.C.	20.4
First Fidelity Bank (Disc.), N.J.	20.3
United Capital, Colo.	20.2
Guardian Insurance (VA 1), N.Y.	19.9
Merus Capital (Income), Calif.	19.6
U.S. Nat'l Oregon (Qualivest)	19.4
U.S. Nat'l Bank, Texas	19.3
First NH Investment (A)	19.2
Provident Capital, Pa.	19.0
The New England (Sep. growth)	19.0
Equitable Capital (No. 4), N.Y.	19.0
MTrust (Growth), Texas	18.8
Confederation Life, Ga.	18.5
NCNB Texas (Diverse)	18.4
MTrust (Value), Texas	18.4
First Interstate Oregon	18.3
Citizens Bank (B), Mo.	18.3
Bessemer Trust, N.Y.	18.3
State Street, Mass.	18.3
Merus Capital (Growth/strat.)	18.1
First of Omaha (D), Neb.	18.0
Manufacturers Detroit	18.0
Connecticut Mutual (CM)	17.9
Aetna Life (Variable), Conn.	17.8
First Fidelity Bank, N.J.	17.7
Massachusetts Mutual	17.7
Dauphin Deposit (Corp.), Pa.	17.7
Markston Investment Mgmt., N.Y.	17.7
Lake Shore Nat'l, Ill.	17.6
C&S Trust Florida	17.6
Prudential (PRIMFORM-low p/e)	17.5
Colorado Nat'l Bank	17.5
Nat'l Bank of Commerce, Neb.	17.5
American Nat'l Chicago (Active)	17.5
Citytrust (E1), Conn.	17.4
Wheeling Dollar Bank, W. Va.	17.3
Continental Bancorp, Pa.	17.3
Employers Life of Wausau (SA 1)	17.3
The Principal, Iowa	17.2
CoreStates Investment, Pa.	17.1
Texas Commerce (Diverse)	17.1
Sovran Capital (Inst.), Va.	17.1
Penn Mutual Life (SA A), Pa.	17.0
Dominion Trust (Corp.), Ba.	17.0
The Phoenix, Conn.	17.0
Mercantile Safe, Md.	17.0
Standard & Poor's	**16.4**

$2.3 Billion Under Management

For professional investment management for tax-exempt, corporate and individual clients.

Contact: Dean M. Miars, (616) 385-0200, 303 N. Rose Street, Suite 500, Kalamazoo, Michigan 49007.

Haziness holds

Continued from page 11

Beverly Bank & Trust Co., Chicago, finished in the top decile for the one-, three-, five- and 10-year periods, with returns of 8.49%, 9.64%, 15.11% and 13.46%, respectively.

Ron Stajkowski, president of Beverly Trust Co., a subsidiary of Beverly Bank, said the $11 million portfolio is weighted toward high-coupon securities with average calls of five to seven years.

He said the portfolio strategy will be to "stay with high coupon securities. In the event of an interest rate reversal, it will give me protection on the downside and high coupon instruments give me those monies to reinvest.

"I believe interest rates have peaked and we will be looking at rates considerably lower by year end . . . I expect monetary policy to remain tight, and the Fed won't move to lower rates until at least June. I expect the Bush administration to act responsibly on the budget. Whether he calls it raising taxes or revenue enhancement the budget must be balanced. There's too much at stake not to."

INTERNATIONAL

A question of value

Japanese market still perplexes experts

By Curtis Vosti

The negative first-quarter return in the Japanese market has fueled the continuing argument about overvaluation.

"Japan is sort of near its highs," said Michael Perelstein, international analyst for First Chicago Investment Advisors, Chicago. "Other markets have surpassed it."

Is it overvalued? "The answer is in the eye of the beholder," said Andrew Rudd, president of BARRA, the Berkeley, Calif., international investment consultant.

"On a Western, fundamental mode of valuation, unadjusted, the answer is an unqualified yes," said Wally Wormley, managing director of PCM International, Newark, N.J.

"By sticking to value, you can still make money even though the market as a whole is expensive," said Justin Donegan, vice president of UBS-Phillips & Drew International Investment Ltd., London.

The Tokyo Stock Exchange returned a U.S. dollar-adjusted -1.5% for the first quarter, according to The World Markets Co. Ltd., Edinburgh, Scotland, compared with the Morgan Stanley Capital International Europe Australia Far East Index's return of 0.33%, according to Pension and Investments' Performance Evaluations Report.

The Japanese market accounts for 64.6% of EAFE, according to Morgan Stanley & Co., New York. EAFE, without Japan, returned 0.8% in U.S. dollars with net dividends reinvested.

While the Japanese market has been one of the best performing markets for several years, money managers, by and large, have been underweighted compared to the EAFE weighting in part because of fears the market was overvalued. A recent survey of 101 international managers by The World Markets indicated the average Japanese weighting was 35.9%.

Price-earnings ratios, one standard measure for valuation, stood at 54.6 for Japan as of March 31, compared with 12.4 for the Standard & Poor's 500 Stock Index.

"For many Westerners, the Japanese market is overvalued, has been overvalued and, indeed, may get more overvalued," Mr. Rudd said. But to the Japanese, it may be undervalued given their overseas investment restrictions and comparisons to the local real estate market, he added.

Officials of UBS-Phillips think there is much value remaining in the Japanese market. They recently conducted a whirlwind tour of San Francisco, Chicago and New York to promote "value investing in Japan."

They discount the p/e comparisons in part because of accounting and depreciation differences among the Japanese and other countries.

"The price-earnings ratio is high, but the accounting differences have the effect of underestimating Japanese profits," Mr. Donegan said.

Japanese profits "conservatively speaking" are probably between 30% and 50% higher than reported, according to Lynn How, UBS-Phillips director.

And those earnings should continue, according to Ms. How, because Japanese companies and labor have shown a remarkable ability to shift gears in the face of adversity.

But that not enough for Kemper-Murray Johnston International Inc., Glasgow, Scotland and Chicago. Despite seeing value in construction and retail, the firm does not "see a compelling reason" to be weighted more than 25.3% in Japan.

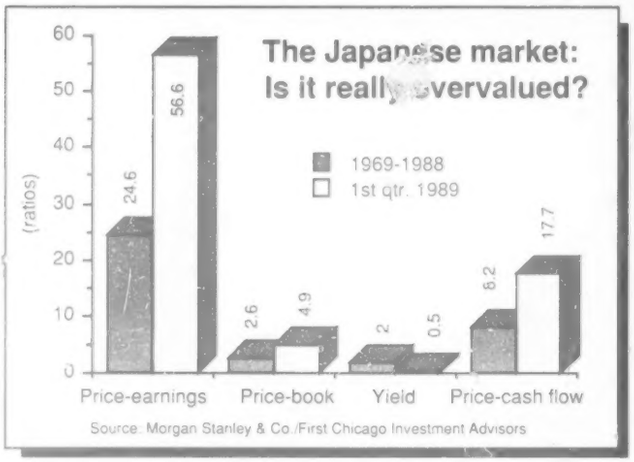
According to First Chicago's Mr. Perelstein, a more appropriate measure than adjusting for accounting differences is comparing the Japanese market to its historical ratios.

In this light, he said, the current ratios are more than twice the Japanese historical average for the past 20 years. "Regardless of what fundamentally based measure of value you use, Japan comes up badly," Mr. Perelstein said.

For example, using yield, the Japanese market averaged a 0.5% yield in the first quarter, compared to an S&P average of 3.7%.

Mr. Perelstein said, however, the Japanese market has continued to rise despite what he thinks is questionable value because of the tremendous liquidity, fueled by trade surpluses, an appreciating yen and an expansive monetary policy. He said this could

Continued on page 18



By discounting comparisons with other countries and looking only at the Japanese market, some believe it has become overvalued in historical terms and should be watched closely.

Third World promises luring few

By Margaret Price

In 1988, Brazil's stock market rocketed 131% in U.S. dollar terms, South Korea's soared 116% and Mexico's market vaulted 108%.

The momentum has continued this year, as at least some Third World markets seemed unable to cool down. The Brazilian market, for instance, jumped 100% in the first quarter, according to data from the International Finance Corp., a Washington unit of the World Bank.

Investment in emerging markets also has been escalating. According to the IFC, roughly $4 billion was invested in 30 to 40 emerging markets' country funds at year-end 1988; that was up from virtually zero at the end of 1985. Institutions in Europe, North America and Japan accounted for most of the total, according to the IFC, although it had no exact figures.

Clearly, those investing in the Third World have had reason to be pleased.

The more than $350 million Emerging Markets Growth Fund, a closed-end fund managed by Capital International Inc., Los Angeles, with 18 institutional investors, has a compound annual return of 39.5% since its premiere in June 1986, said David Fisher, president.

The 19-month-old Equity Fund of Brazil of Batterymarch Financial Management, Boston, grew 200% in assets since its inception, said Jack Arena, a Batterymarch trustee. He would not provide annualized figures. It has fewer than 10 institutional investors.

Few U.S. pension funds, however, have partaken in this bounty. Although no formal counts are available, consultants say only a limited number of U.S. pension funds — and of these, mostly only the largest — now invest in emerging markets.

The World Bank's approximately $2.9 billion pension fund has been investing in emerging markets since 1984. But while allocations to that sector have been growing, the assets committed still represent 1% or less of the fund's total assets, reported Kelda Caldwell, chief-investment control unit.

That small allocation "doesn't have a major impact" on the Washington-based fund's total return, said Ms. Caldwell. She had no performance figures for the emerging markets portion of the portfolio, and did not identify in which markets the fund invests.

Ms. Caldwell said the fund invests in emerging markets because of the expanding size of the markets; additional opportunities for diversification; attractive returns; and "to be ahead of the crowd."

Marsh & Cunningham-Castegren International, Boston, for the past few years has invested a small amount in emerging markets on behalf of its seven clients, including the pension funds of Owens-Illinois Inc., General Electric Co. and the Campbell Soup Co. Hakan Castegren, principal, said about 12.6% of the assets are in the emerging markets of Portugal, Brazil, Korea, Singapore and Malaysia.

Marsh & Cunningham-Castegren has $300 million under management, of which $235 million is tax exempt.

But for the bulk of pension funds, emerging markets investments will be an event of the future — if it occurs at all. While many investors and money managers would delight in finding what some call the "next Japan," many remain wary of the risks in-

Continued on page 18

TPF&C to receive global data

NEW YORK — The consulting firm TPF&C has reached an agreement with The World Markets Co., Edinburgh, Scotland, to purchase WM's performance data on international and global fixed-income money managers worldwide.

The deal is not an exclusive arrangement with TPF&C, but it is WM's first venture providing any client with calculated returns on a universe of international and global money managers, said Linda McPherson, WM's vice president and U.S. marketing manager.

TPF&C will receive information on all managers in WM's data base, which now totals about 50 managers worldwide. Data will include managers' rates of return as well as returns delineated by three factors: currency movements; a particular market's activity; and individual security selection, said Roger Bransford, TPF&C's national director of asset consulting in Atlanta.

TPF&C will not receive the names of investor-clients of the money managers in WM's data base.

The WM deal expands TPF&C's sources of performance information.

Last year, TPF&C began obtaining data on domestic money managers' returns from two firms: CDA Investment Technologies Inc. of Rockville, Md., which is providing TPF&C with investment managers' pooled and mutual funds performances; and Plan Sponsor Network Inc. of Port Chester, N.Y., which is furnishing investment counseling firms' returns, Mr. Bransford said.

For WM, the TPF&C deal offers an attractive promotional opportunity. While TPF&C "is not in competition with us and doesn't plan to set up a universe of international money managers' performances to compete with us," it ultimately "will be selling our performance measurements services to its clients," said Ms. McPherson. ■

April 1989

Mesirow Capital Partners V

$41,410,000

Formed to provide equity capital for expansion and acquisition financings

managed by its General Partner

Mesirow Venture Capital, Inc.

James C. Tyree

Thomas E. Galuhn

Daniel P. Howell

William P. Sutter, Jr.

Mesirow Capital Markets

Promises lure

Continued from page 17

volved in dealing with the Third World. Among the problems: political and economic uncertainties; liquidity problems; legal constraints on foreign investments; and the paucity of reliable information about public companies in some regions.

Moreover, emerging markets apparently have a limited number of champions. Relatively few international money managers are aggressively exploring investment opportunities in places such as Chile, Argentina, Jordan or the Philippines.

Consultants' enthusiasm about Third World investments generally is slight. On one hand, the Frank Russell Co., Tacoma, Wash., recommends clients allocate 5% of their international assets to emerging markets — which would still be a minuscule amount of total pension fund assets. Even that recommendation, however, "depends on clients' objectives," said Gunter Ecklebe, senior vice president at Frank Russell, who pointed out such investments would be "long-term strategic views" on these markets.

Few, if any, other consultants recommend asset allocations for emerging markets. Christopher A. Nowakowski, president of Stamford, Conn.-based InterSec Research Corp., echoed the prevailing view when he said there is "more smoke than fire" in terms of investor interest in emerging markets. "Neither pension fund officers nor money managers fall head over heels for things that are new and different," he said. "It will take them awhile to become comfortable with emerging markets' attractions."

To date, consultants say, pension funds investing in Third World markets usually have used pooled funds or specific country funds, such as Batterymarch's Brazil fund or the Korea fund of Scudder, Stevens & Clark, New York.

While "money managers are looking at this area," Lou Ann Dolan, principal with William M. Mercer Meidinger Hansen Asset Planning Inc., New York, said so far about 10 to 15 international money managers have discussed emerging market investing with her, and she expects only a small percentage of those who explore the area "will jump into it."

Ms. Dolan believes one deterrent is the inability to follow many more markets besides those within the Morgan Stanley Capital International Europe Australia Far East Index.

But will investors and money managers miss the boat by holding off on emerging markets? Already, some markets are showing signs of cooling — albeit from torrid growth rates.

In Asia, where markets have been more popular with foreign institutions, strong economies have been the clear attraction. And in that area, some economic slowing is expected.

In Thailand, a 9.5% gain in the gross domestic product is predicted this year to follow 1988's 10.5% increase, according to estimates by officials of the brokerage firm Burns Fry Hoare Govett Inc., New York.

The firm also forecasts that in South Korea, the GDP is expected to slip to 8.5% this year from 11.5% in 1988 and 11% in 1987. In Singapore, the GDP increase is expected to be 6%, down from 11% in 1988 and 8.8% in '87.

Vincent Ma, an assistant vice president at Burns Fry Hoare Govett, believes this data should encourage institutions to invest sooner rather than later in such markets. In his view, "a slight cooling in (such markets') economies suggests investors should get into these markets as early as possible." ■

Japan

Continued from page 17

change as policies are reversed.

PCM's $300 international portfolio has a 48% weighting in Japan. "We're still able to find good values in the market," Mr. Wormley said.

But, "Even by our own adjustments, there are still many overvalued companies, which makes a smaller subset from which to pick stocks," he added.

The higher number of good value stocks in the Japanese market are from the small-capitalization businesses, he said.

Mr. Donegan agrees.

"There's a minefield of value on that second section," he said, referring to the portion of the Tokyo exchange that trades small-cap stocks. For example, he said, a company like **Glory Kogyo** will benefit from the changing Japanese society.

The company makes the equipment that forms the guts of automated teller machines, he said, and stands to gain from a 50% market share as the Japanese move toward widespread use of "pre-paid cards."

But First Chicago's Mr. Perelstein is not impressed.

"It's usually a bad sign if you have to look past the top 1,000 issues for value," he said.

"If Japan was just the second section (of the Tokyo market), it would not be an important market."

But Mr. Rudd said the typical American view has a bias to it. "Because there is very little exterior investment in Japan (foreigners account for about 3%), what Westerners think is largely irrelevant in the scheme of things," he said.

"The United States tends to think the market is overvalued across the board, but Europeans less so. Europeans have less of a process-driven way of looking at the market. It is not viewed so much as indices and benchmarks. They are more research oriented, almost a venture capital mentality."

"The real message, is that it is difficult to talk about Japan as being overvalued in absolute terms. Everything's relative," Mr. Rudd said.

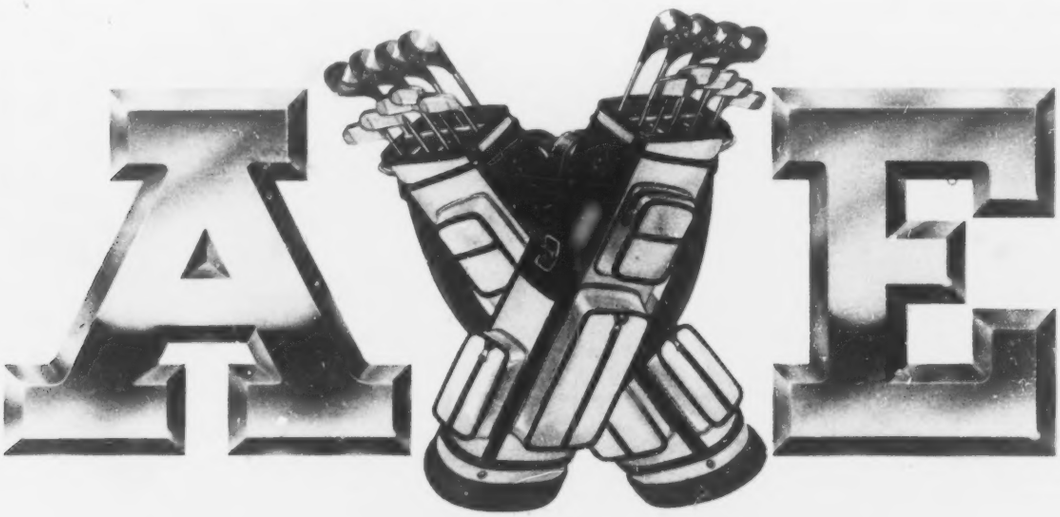
Mr. Wormley said you have to look at all factors driving the market.

"Japan continues to be in the enviable position of greater demand than supply of securities," he said. Tremendous cash flows from insurance companies, banks, pension funds and personal savings coincide with a period of few additional stock offerings.

"These keep driving the prices up," he said. "Plus the additional foreign purchases gives great upside pressure. These are the so-called technical demand factors.

"Anyone who looks at just fundamental valuations is treading on very treacherous ground," he said.

"The technicals are important." ■



Hole In One!

The shot of a lifetime.

But beating par is the measure of performance in golf.

At Axe, consistent investment performance has been the key to meeting client objectives for more than 50 years.

Our money managers know that one great shot is exhilarating.

Beating par round after round wins championships.

AXE

AXE-HOUGHTON MANAGEMENT, INC.

AXE CASTLE, TARRYTOWN, N Y 10591

A COMPANY OF USFG ASSET MANAGEMENT

$1.8 trillion

Continued from page 3

side money managers. And an investment structure was created to permit the National Government Employees' fund to use outside money managers without having to change any laws, explained Mr. Booher.

In the Netherlands, legal restraints against foreign investment by Algemeen Burgerlijk Pensioenfonds were lifted in 1988, allowing the public employee fund to invest up to 5% of its assets abroad. At year-end 1988, the fund had less than 1% of assets invested abroad, but that figure has risen somewhat since then and is steadily increasing, said Jean Fryns, head of investment policy for the fund. The objective is to have 2.5% of total assets in foreign equities and 2.5% in foreign real estate.

Nonetheless, the fund remains a conservative investor, mainly in fixed income.

Meanwhile, the Dutch fund and the two largest Japanese pension funds have avoided being pacesetting investors in their own countries. "Their diversification was in reaction to the more aggressive investment policies of other large pension funds in their country — which had also been fairly conservative until recent years," said Mr. Booher.

Such stodginess, however, is not common among large U.K. pension funds. For example, the $19.5 billion British Coal Staff Superannuation Scheme and the Mineworkers' Pension Scheme — which InterSec puts at $17.2 billion — have approximately 63% of their assets invested in equities, of which about 13% is in Germany, Japan, the United States and a small amount in France, said Paul Whitney, chief executive of CIN Management Ltd., the wholly owned unit of British Coal that manages its pension funds.

The remainder of the funds' asset allocation: about 14% in U.K. gilts, approximately 13% in U.K. real estate and the remainder in inflation-indexed securities issued by the British government, U.S. property, venture capital and cash, said Mr. Whitney.

The funds' exposure has changed modestly over the past two years. In the U.K. property area, the funds have been concentrating on redevelopment and refurbishing.

In what some consider the more "aggressive" areas, the funds lifted their venture capital exposure to a still-modest 3%. Over the past 18 months, the funds boosted the equity allocation by between 5 percentage points and 6 percentage points to the 63% mark, with half of the increased allocation targeted for non-U.S. stocks.

"We are looking for more opportunity in Japan and in newer Pacific Basin markets, particularly Hong Kong and Singapore," Mr. Whitney said.

The British Telecommunications PLC Staff Superannuation plan — put at $16.4 billion by InterSec, but which the fund says was roughly $17.12 billion as of the end of March at current exchange rates — has 51% invested in U.K. equities, and 10% in non-U.K. stocks.

That allocation is all the more impressive given the fact that the British Telecom fund was closed to new participants as of the end of March 1986. The company created a new fund for new participants. ■

P&I Age/InterSec World 300

51.	Barclays Bank	U.K.	8,300
52.	U S WEST	U.S.	8,133
53.	Virginia Supplemental	U.S.	8,041
54.	Teamsters, Western	U.S.	8,000
55.	Pa. Employes	U.S.	7,967
56.	Eastman Kodak	U.S.	7,825
57.	Exxon	U.S.	7,809
58.	Colorado Employees	U.S.	7,591
59.	Georgia Teachers	U.S.	7,525
60.	Sears, Roebuck	U.S.	7,176
61.	U.N. Joint Staff	U.S.	7,146
62.	Lockheed	U.S.	7,113
63.	Illinois Teachers	U.S.	7,043
64.	Alabama Systems	U.S.	7,000
65.	United Technologies	U.S.	7,000
66.	Southwestern Bell	U.S.	6,961
67.	British Petroleum	U.K.	6,900
68.	British Steel	U.K.	6,900
69.	Imperial Chemicals	U.K.	6,700
70.	Shell Oil	U.S.	6,686
71.	Tenn. Consolidated	U.S.	6,643
72.	Allied-Signal	U.S.	6,609
73.	McDonnell Douglas	U.S.	6,462
74.	Arizona State	U.S.	6,429
75.	Nat'l Westminster	U.K.	6,400
76.	NSW State Authorities	Australia	6,400
77.	Connecticut Trust Funds	U.S.	6,236
78.	Shell	U.K.	6,200
79.	South Carolina	U.S.	6,009
80.	Canadian Nat'l Railways	Canada	5,700
81.	Bouwnijverheid BPF	Netherlands	5,500
82.	British Airways	U.K.	5,500
83.	Royal Dutch Shell	Netherlands	5,500
84.	Chevron	U.S.	5,460
85.	Commonwealth Banking	Australia	5,400
86.	Deutscher Bank	W. Germany	5,300
87.	Lloyds Bank	U.K.	5,300
88.	Prudential Insurance	U.S.	5,276
89.	Hughes Aircraft	U.S.	5,136
90.	Texas Employees	U.S.	5,108
91.	General Dynamics	U.S.	5,000
92.	Westinghouse Electric	U.S.	4,800
93.	UMWA	U.S.	4,700
94.	Bell Canada	Canada	4,500
95.	Missouri Public School	U.S.	4,500
96.	Philip Morris	U.S.	4,500
97.	Chrysler	U.S.	4,414
98.	Unilever	U.K.	4,300
99.	Unisys	U.S.	4,281
100.	Lonmodiagemms	Denmark	4,200
101.	Metaalindustrie BPF	Netherlands	4,200
102.	Caterpillar	U.S.	4,138
103.	SFIT	Australia	4,100
104.	Amoco	U.S.	4,014
105.	British Broadcasting	U.K.	4,000
106.	Mass. Teachers/Empl.	U.S.	4,000
107.	Metaalnijverheid BPF	Netherlands	4,000
108.	Neder. Spoorwegen	Netherlands	4,000
109.	Monsanto	U.S.	3,990
110.	Mobil Oil	U.S.	3,880
111.	Bayerische	W. Germany	3,800
112.	Iowa Public Employees	U.S.	3,800
113.	Strathclyde Regional	U.K.	3,800
114.	Water Authorities	U.K.	3,800
115.	Merchant Navy	U.K.	3,700
116.	Hospitals of Ontario	Canada	3,600
117.	Lucas Industries	U.K.	3,600
118.	Illinois Municipal	U.S.	3,591
119.	All Japan Mutual Credit	Japan	3,500
120.	British Aerospace	U.K.	3,500
121	Greater Manchester	U.K.	3,500
122.	Hawaii Employees	U.S.	3,495
123.	Alaska State Retirement	U.S.	3,478
124.	Ford Motor	U.K.	3,400
125.	Midland Bank	U.K.	3,400
126.	Migros Bank	Switzerland	3,400
127.	RJR Nabisco	U.S.	3,387
128.	Mississippi Employees	U.S.	3,336
129.	San Francisco Empl.	U.S.	3,322
130.	Canadian Pacific	Canada	3,300
131.	Rover Group	U.K.	3,300
132.	United Air Lines	U.S.	3,300
133.	Pacific Gas & Electric	U.S.	3,299
134.	Delta Air Lines	U.S.	3,296
135.	Detroit Systems	U.S.	3,291
136.	Utah State Retirement	U.S.	3,205
137.	SBB	Switzerland	3,200
138.	Kansas Employees	U.S.	3,175
139.	Metropolitan Life	U.S.	3,120
140.	Procter & Gamble	U.S.	3,102
141.	American Airlines	U.S.	3,100
142.	Ontario Hydro	Canada	3,100
143.	Prudential	U.K.	3,100
144.	Illinois State Universities	U.S.	3,080
145.	Nat'l Elec. Contractors	U.S.	3,045
146.	Baugewerbe ZVK	W. Germany	3,000
147.	Chicago Teachers	U.S.	2,981
148.	Northrop	U.S.	2,979
149.	Atlantic Richfield	U.S.	2,977
150.	Georgia Employees	U.S.	2,945
151.	Indiana Employees	U.S.	2,927
152.	Dow Chemical	U.S.	2,924
153.	United Methodist	U.S.	2,903
154.	Bayer AG	W. Germany	2,900
155.	General Electric	U.K.	2,900
156.	London Residuary Body	U.K.	2,900
157.	Alcoa	U.S.	2,892
158.	Kentucky Teachers	U.S.	2,840
159.	Louisiana Teachers	U.S.	2,833
160.	Martin Marietta	U.S.	2,829
161.	Grumman	U.S.	2,810
162.	Atomic Energy Authority	U.K.	2,800
163.	West Midlands Metro.	U.K.	2,800
164.	Textron	U.S.	2,792
165.	L.A. Fire/Police	U.S.	2,774
166.	Texaco	U.S.	2,772
167.	Xerox	U.S.	2,724
168.	Bethlehem Steel	U.S.	2,722
169.	Minn. Mining & Mfg.	U.S.	2,703
170.	Illinois Board	U.S.	2,700
171	Imperial Group	U.K.	2,700
172.	West Yorkshire	U.K.	2,700
173.	World Bank	U.S.	2,687
174.	Nevada Employees	U.S.	2,682
175.	J.C. Penney	U.S.	2,663
176.	Ohio Police & Firemen	U.S.	2,614
177.	ITT	U.S.	2,611
178.	State Farm Insurance	U.S.	2,601
179.	B.C. Municipal	Canada	2,600
180.	B.C. Public Service	Canada	2,600
181.	Southern Co. Services	U.S.	2,600
182.	Consolidated Edison	U.S.	2,549
183.	Tenneco	U.S.	2,542
184.	Honeywell	U.S.	2,539
185.	Hoechst AG	W. Germany	2,500
186.	Kentucky Systems	U.S.	2,500
187.	KLM	Netherlands	2,500
188.	TVA	U.S.	2,500
189.	Raytheon	U.S.	2,430
190.	Ohio School Employees	U.S.	2,416
191.	IBM Deutschland	W. Germany	2,400
192.	Massachusetts PRIM	U.S.	2,364
193.	Coop Schweiz	Switzerland	2,300
194.	Deere	U.S.	2,300
195.	Hydro Quebec	Canada	2,300
196.	Sulzer Brothers	Switzerland	2,300
197.	Owens-Illinois	U.S.	2,286
198.	Fed. Retirement Thrift	U.S.	2,271
199.	Int'l Paper	U.S.	2,252
200.	Aetna Life & Casualty	U.S.	2,242
201.	Southern Baptist	U.S.	2,223
202.	Akzo	Netherlands	2,200
203.	Allied-Lyons	U.K.	2,200
204.	Hitachi	Japan	2,200
205.	London Regional Trans.	U.K.	2,200
206.	Rolls Royce	U.K.	2,200
207.	Los Angeles City	U.S.	2,193
208.	Boilermaker Blacksmith	U.S.	2,128
209.	Southern Calif. Edison	U.S.	2,104
210.	Trans World Airlines	U.S.	2,104
211.	Grafische BPF	Netherlands	2,100
212.	Matsushita Electrical	Japan	2,100
213.	SSIH	Switzerland	2,100
214.	TSB Group	U.K.	2,100
215.	TRW Investment	U.S.	2,054
216.	Eastern Air Lines	U.S.	2,041
217.	Louisiana Employees	U.S.	2,001
218.	Air Canada	Canada	2,000
219.	B.C. Teachers	Canada	2,000
220.	Merseyside County	U.K.	2,000
221.	Presbyterian (USA)	U.S.	2,000
222.	Sun	U.S.	1,987
223.	Nat'l Rural Elec. Co-op	U.S.	1,982
224.	Halliburton	U.S.	1,965
225.	R.I. Employees	U.S.	1,911
226.	Ansett Pilots	Australia	1,900
227.	General Motors Canada	Canada	1,900
228.	Hoogovens	Netherlands	1,900
229.	Onderling BPF	Netherlands	1,900
230.	Thorn EMI	U.K.	1,900
231.	Amoco	U.S.	1,889
232.	Hospital & Health Care	U.S.	1,888
233.	BP America	U.S.	1,883
234.	Eli Lilly	U.S.	1,867
235.	Commonwealth Edison	U.S.	1,861
236.	Bakery & Confectionery	U.S.	1,849
237.	Int'l Operating Eng.	U.S.	1,832
238.	Travelers Insurance	U.S.	1,830
239.	Arkansas Teacher	U.S.	1,827
240.	Federated Dept. Stores	U.S.	1,810
241.	Florida Power & Light	U.S.	1,803
242.	CIBA-GEIGY	Switzerland	1,800
243.	Oklahoma Teachers	U.S.	1,800
244.	Texas Municipal	U.S.	1,800
245.	Unilever	Netherlands	1,800
246.	Texas County & District	U.S.	1,789
247.	Navistar	U.S.	1,785
248.	New Mexico Educational	U.S.	1,750
249.	Goodyear Tire & Rubber	U.S.	1,728
250.	Union Carbide	U.S.	1,711
251.	BASF	W. Germany	1,700
252.	Canton of Zurich	Switzerland	1,700
253.	Civil Aviation Authority	U.K.	1,700
254.	DSM	Netherlands	1,700
255.	IBM U.K.	U.K.	1,700
256.	Inland Steel Industries	U.S.	1,700
257.	Koopvaardij BPF	Netherlands	1,700
258.	Lancashire County	U.K.	1,700
259.	Mijnwerkers (Limburg)	Netherlands	1,700
260.	Phillips Petroleum	U.S.	1,700
261.	Reed Int'l	U.K.	1,700
262.	Royal Bank of Scotland	U.K.	1,700
263.	Vauxhaul	U.K.	1,700
264.	GenCorp	U.S.	1,683
265.	PPG Industries	U.S.	1,677
266.	Plumbers Nat'l HQ	U.S.	1,658
267.	S. New Engl. Telephone	U.S.	1,625
268.	American Stores	U.S.	1,623
269.	Motorola	U.S.	1,616
270.	Kraft	U.S.	1,608
271.	Hewlett-Packard	U.S.	1,606
272.	Chicago Municipal	U.S.	1,600
273.	C.R.P.N.C.P.	France	1,600
274.	Grand Metropolitan	U.K.	1,600
275.	Philips	U.K.	1,600
276.	South Yorkshire County	U.K.	1,600
277.	Sun Alliance Insurance	U.K.	1,600
278.	Hercules	U.S.	1,589
279.	Philadelphia Municipal	U.S.	1,578
280.	American Electric Power	U.S.	1,561
281.	Abbott Laboratories	U.S.	1,530
282.	New Mexico Employees	U.S.	1,513
283.	K mart	U.S.	1,509
284.	L.A. Water & Power	U.S.	1,504
285.	Allianz Versicherung	W. Germany	1,500
286.	Aluminum Co./Canada	Canada	1,500
287.	Commercial Union	U.K.	1,500
288.	Courtaulds	U.K.	1,500
289.	Huisartsen BPF	Netherlands	1,500
290.	Indiana State Teachers	U.S.	1,500
291.	New York Life	U.S.	1,500
292.	Toyota Motor	Japan	1,500
293.	Episcopal Church	U.S.	1,470
294.	Southern Calif. UFCW	U.S.	1,464
295.	Houston City	U.S.	1,458
296.	CIGNA	U.S.	1,454
297.	Maine State Retirement	U.S.	1,452
298.	United Parcel Service	U.S.	1,443
299.	IAM Nat'l	U.S.	1,438
300.	Evangelical Lutheran	U.S.	1,430
	Total		$1,839,826